

# HOUSING

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## GOVERNMENT HOUSING IN PRACTICE

(Housing - Fed)

We have now had two and a half years of Government Housing. Certain facts begin to emerge.

It is true that up to the moment nearly all of this Government housing has been on paper. But out of the hurly burly of the public discussion of the subject—housing having become one of the most publicized and discussed subjects of the day—certain facts and ideas have begun to emerge which should tend to a clarification of the public's understanding of the disadvantages, difficulties and limitations inherent in the Government's undertaking functions of this kind.

The Government housing work has not been undertaken with the purpose of solving the housing problem or of contributing to its solution, but solely as an incident to the relief of unemployment and the restoration of industry—as one of the measures which, it was hoped, might help “prime the industrial pump,” to use a much quoted phrase.

As a means of furnishing *quick* employment to vast numbers of workers out of employment the efforts made by the Government in this field have been a complete failure.

After two and a half years of talk and labor—and there has been much labor as well as talk, on the part of many devoted persons in public office—there has been almost no housing achieved.

What has been happening during this period is what always happens, under any form of Government, where bureaucracy is involved.

While it is perfectly true that the present housing work of the Government was undertaken solely as an incident to the relief of unemployment, and while it is equally true that there is not a scintilla of legal authority to be found anywhere that would warrant the Government in looking upon housing as a permanent activity, yet we find the chief public official having responsibility for the Government's

housing work calmly announcing that the chief purpose of that work is to better social conditions.

#### OFFICIALS CHARGED WITH A MISSION

Secretary Harold L. Ickes in a Paper published in the May issue of the *Journal of Land and Public Utility Economics*, entitled: "The Place of Housing in National Rehabilitation", has the following to say:

One aim of the present Administration is to help to bring about some order in our economic life and some direction to our physical development. Another aim is to improve living conditions, so that the victims of a totally discredited housing system may have a minimum of decency and comfort in which to live. If the lower-income groups cannot achieve this minimum individually, then the Government must step in and make it possible for them to obtain adequate housing. Conserving our human resources transcends even the highly important duty of conserving our natural resources. The providing of decent, self-liquidating, low-rent housing is certainly a long step in the direction of that necessary conservation.

And again:

The first task, as assumed by the Housing Division of the PWA, is to seek out some of the worst slum spots on the municipal maps and abruptly wipe them out with good low-rent housing.

When public officials become "charged with a mission," there is always trouble.

Just where and how the Administration received its mandate to embark upon a comprehensive programme of slum clearance throughout the several states remains undisclosed. But it is what always happens in bureaucracy—an inch here, an inch there, and ultimately the inch becomes a mile; the camel is soon inside the tent.

The modifications that have taken place in the Government's housing policy, as those administering it have become better educated on the subject, are not without their lesson.

At first, the Government determined to proceed by enlisting private enterprise. It believed that it could rely upon the public spirit, as well as the enlightened self-interest, of the respective communities, where housing was needed and where employment of the unemployed was greatly desired, to meet the Government at least half way in carrying out its housing schemes.

#### GROPING IN THE DARK

The better part of a year was spent in what Secretary Ickes himself has characterized as "useless attempts to induce private capital to come into the work".



What should we think of a business organization that took a year to find out that it couldn't raise the capital necessary with which to carry on its principal business?

Should we not feel that this was not the kind of a business we would care to entrust our funds to? Why should it have taken a year for the Government to have discovered something that was obvious to every person familiar with the subject?

The explanation is that this was Bureaucracy at work. Bureaucracy is always stupid. It always proceeds by trial and error. Had this been private enterprise, those projecting the enterprise and whose funds were being risked in it would certainly have asked themselves "What experience is there in this field that we can avail ourselves of, we, who are going into it without experience"?

But not so Government, spending other people's money! Apparently, it never occurred to those responsible that there was a wealth of experience available—not only in Europe but, here in America; that housing wasn't a new subject; that it had been dealt with in the United States by various methods through a period of nearly 100 years. None of this experience was availed of.

Even, today, after two and a half years of effort, the Government is without knowledge of what a slum really is—though it talks much about slum clearance.

It is without any comprehensive or ordered programme of procedure in dealing with the problem of clearing the slums of the cities of this country. It has never, even, made an estimate of the money needed to carry out such a programme. It is still floundering in the dark.

In May, we are told by the Public Works Administrator that the purpose of the Government is to remedy these great social evils and bring about better living conditions for the people. In October, his principal aide stated that "the work which the Housing Division of the PWA is doing can be no more than a demonstration of standards and potentialities; a comprehensive solution of slum clearance and low-rent housing is the responsibility of local governments".

#### NOT A FEDERAL FUNCTION

There can be no question that this latter statement is a correct one—that slum clearance is not a Federal function, but is one to be performed by the local authorities in the various communities throughout the country.

Similarly, there can be no question that the building of so-called "low-cost" houses—by which is meant houses that will rent at a com-



paratively low rate—is not the function of the Federal Government, but the function of private enterprise. It has been an expensive and costly process—this education of the Administration at Washington. It has taken a long time for them to learn fundamental and obvious facts. This education of the public official, however, is not without its amusing moments. The perpetual naïveté with which they “rediscover the Ten Commandments” is a source of never ending surprise.

Recently, they discovered that because tenants had poured into the new limited-dividend housing projects as they were completed and made ready for occupancy that this “demonstrates that this phase of the work of the Public Works Administration is establishing a new standard of housing in the United States”. The veriest tyro in the real estate field could have told them that tenants always flock to new houses, especially when those new houses can be obtained at lower rents than generally prevail in that neighborhood. Of course, people are glad to have new houses with all the new gadgets at lower rents than they would have to pay elsewhere. What our friends at Washington have failed to think about is what will be the conditions as to vacancies in those houses 20 years from now when they are old, and other and newer houses have been built that will draw the tenants away from them.

This, of course, is no argument against the building of new and better houses, but is adduced to point out the absurdity of the claim advanced by our bureaucratic friends at Washington that the filling up of these new improved apartment houses “establishes a new standard of housing in the United States”.

To hear them talk, one would think there had never been any model tenements until their advent upon the scene. We have had model tenements in the United States on a considerable scale for some 40 years, and very good ones for nearly 50 years.

When we learn that practically all of these new Government-aided houses have complete modern bathrooms, mechanical refrigeration, electrical wiring, hot and cold running water, central heating—in a word, all modern improvements—it is not strange that the apartments should be quickly snapped up.

#### LUXURIES FOR THE SLUM DWELLER

Which brings us to another aspect of the question. Are slum dwellers to be housed in the kind of houses and given the conveniences of living and luxuries that people in the so-called “white collar class”



are accustomed to, at rents far below the economic rent—the difference to be paid by the taxpayers of the country?

Does Washington think that the great mass of the people of the United States will support such a policy, once understood?

Does Washington really believe that the people of this country, who themselves are not able to afford these latest improvements—artificial refrigeration, electric elevators, hardwood floors, electric lights, central heating, modern bathrooms—will look with favor upon the building by the Federal Government out of taxpayers' money of vast project after project in which the slum dweller is to be housed?

Nor is that all. Our Government officials are now beginning to discover that mere housing itself is not sufficient; that without proper management housing is likely to fail. They are also beginning to realize that what, in effect, are small villages are being created by these large-scale housing projects; and that the mere building of the houses and putting people into them does not meet the situation.

They are now saying that there must be full recreational facilities developed within the projects, including the provision of community centers, the landscaping of a large part of the site, with playgrounds, kindergartens for young children, community halls and similar kinds of recreational and social developments. In fact, resident managers for projects are now being selected with these considerations in mind.

#### WELFARE WORK TOO

The appointment of a high official to the housing work of the Government "to have charge of welfare work in these projects" is a significant indication of what is likely to happen as the work progresses. We are told that this newly appointed official brings to his post "an unusual sympathy and experience in dealing with under-privileged people, that he will handle the social, educational and recreational aspects of slum clearance and low-cost housing projects, and that this is an important phase of the rehabilitation work for the low-income groups that the Government is undertaking."

What a long distance we have travelled from the relief of unemployment and the priming of the industrial pump!

We should be the last persons to criticize the Government officials because they have come to realize that without adequate, skilled and intelligent management no housing project is likely to succeed. This is not a new discovery. It was learned over 60 years ago when Octavia Hill demonstrated to the people of England how vital a part intelligent and sympathetic management was in the handling of property



of this kind. It has been known equally well in this country ever since model housing projects were developed and has been kept in the forefront of the programme of those companies which have made a success in this field—and there are many of them.

But what *is* to happen as to the management of the Federal Government's housing projects? It might have been supposed that before the Government embarked upon an enterprise of this kind they would have determined a question as important as this. Not so. Only now after two and a half years, is the public informed that "this subject is having consideration by the Federal Government". Even today, no decision has been reached by Washington as to just how the 50 Government housing projects, involving a cost of \$129,725,100, will be managed.

A few days ago an announcement was made from Washington, indicating that this subject was being given consideration. Public Works Administrator Ickes was quoted as saying that the operation of the Government housing property would follow two general lines. "The first contemplates direct operation by the Federal Government. Under the second, where duly constituted local public housing authorities exist, consideration will be given to operating the projects through these bodies—probably through a lease agreement." Consideration had been given also to a plan of operating the developments by private agencies, under contract; but it was found that this would not be legally possible under existing law, and consequently this method had been dismissed from further consideration.

#### MANAGEMENT BY THOSE INEXPERIENCED

When one considers the status and makeup of the so-called local Public Housing Authorities that now exist, one shudders at the thought of entrusting such responsibility to them. For, all of them were brought into being hurriedly for a totally different purpose, and none of them is so organized or constituted, or has behind it such background of experience, as would enable it to undertake successfully the difficult and burdensome responsibilities inherent in the management of property of this kind.

No government—as governments are constituted in this country—is fitted to manage apartments and tenement houses or other dwelling units in which vast numbers of people reside.

That the Government officials are still groping in the dark on this aspect of their work is evidenced by Mr. Ickes' statement in which he says:



Conditions under which the projects will be operated through local authorities or directly by the Government will be determined in the near future.

What is undoubtedly meant is that the Federal Government seated at Washington, with such local agents as it may appoint—thus far Washington has shown every inclination of keeping everything in its own hands and little inclination to decentralize—will soon go into the business of managing the 50 building projects that are about to be constructed with \$130,000,000 of taxpayers' money.

The Federal Government at Washington will collect the rents, supply janitor service, redecorate quarters and play the same part that any private landlord does. Of the difficulties that attach to that kind of relationship there have already been serious evidences in the first housing project in New York in which the Government's participation has been that of a loaner of funds or banker—in the Knickerbocker Village project on the Lower East Side. Here from the very first day that the tenants moved in there has been constant strife and discord, with rent strikes and litigation and complaints to the State Board of Housing and action in the courts.

If the Government officials at Washington who are faced with this responsibility do not lay awake nights thinking of the fate that confronts them when they get to this stage of their work, we shall be greatly surprised. The answer probably is that this is sufficiently far in the future to enable them to push it off and hope for the best.

In undertaking this difficult task the Government will not be without willing helpers, for the National Association of Housing Officials announced a few months ago that its President and Executive Officer had "for almost a year been working on preliminary arrangements for a training school to provide instruction for housing managers".

Well, if it has taken these two able gentlemen almost a year to work out *preliminary* plans, we wonder how many centuries it will take the Government to achieve actual management. "We can't do that sum."

#### COMMUNITY SERVICES

Closely allied to this question of management is the question of the relation of these housing projects to the governments of the localities in which they exist. Where such projects are the result of private enterprise, all of the local community services such as water, electricity, gas, sewerage, garbage and refuse disposal, street paving, policing, lighting, education, are matters that are taken care of in the normal



way through taxes imposed upon the taxpayers of the community to meet the cost of such services in that locality and in other parts of the community.

But what is to happen to projects such as the 50 which the Federal Government is now about to build? The local authorities are powerless to impose taxes upon them for these services. For, it is a well established principle that the Federal Government cannot be taxed by any body other than the Federal Government.

Having heard from the various localities in which some of the earlier projects are located, Public Works Administrator Ickes has been casting around for some method by which this situation might be dealt with on a basis that was legally valid and at the same time would enable the Federal Government to meet the desire of the local authorities to be reimbursed for the expenses they will be put to by these tax-exempt buildings.

Accordingly, the Comptroller General of the United States was asked whether it would be possible for the Public Works Administration to use a portion of the rents received from its low-cost housing projects to pay for fire and police protection and educational facilities in cities where such projects were located.

In presenting this question to the Comptroller General, Mr. Ickes stated that one of the most serious difficulties that will be encountered in the operation of the low-cost housing projects constructed by him arises from the fact that the property owned by the Federal Government is not subject to taxes by states and municipalities. He added that unless the tenants of these projects receive police and fire protection and the use of schools and other municipal facilities ordinarily furnished, few people would care to reside in them. He said that many cities had informed him that in view of the fact that they will not receive any taxes from these projects, they would not be able to furnish such services and added that in his opinion the position taken by the local authorities was not unreasonable. He asked that permission be given that 5% of the rents at Atlanta estimated to be \$192,000 a year, which would yield \$9,600, be used in paying for such services.

The Comptroller General advised that this could not be done, as "it seemed likely that the homes now being constructed would eventually pass to private ownership and would then become liable for municipal taxation and that, furthermore, cities should recognize that the new buildings and the elimination of slums would benefit them." In addition to these considerations, the Comptroller General pointed out that the rule was well established that the Federal Government or its activities may not be taxed.



In his letter he pointed out also that these localities are receiving great benefits from the Federal Government at scarcely any expense to themselves and should be glad to service the housing projects without charge. On the legal side, it was pointed out that the Act under which these housing projects are being built provides that all monies received from any sale or lease or the repayment of any loans shall be used to retire Government obligations issued to finance the operation and that consequently no authority is to be found for the expenditure of rental receipts as payment of local taxes.

The latest development in this field is announced as we go to press to the effect that the Comptroller General has made a ruling that the Government will not be able to manage any of these properties once the projects are completed and that the finished undertakings will be left stranded, on the ground that the rents collected by the Public Works Administration cannot be used for expenses of management but must be paid into the General Treasury funds under the Act.

It is stated by A. R. Clas, Chief of the Housing Division, in this connection that "this contingency had been foreseen" and that funds from the original project allotment had been set aside to cover at least one year's expense of management by the Federal Government of all projects that were advanced to that stage. At the same time, he expressed confidence that Congress when it reconvened would re-appropriate out of the funds collected from rents, monies to cover the cost of management and amortization, and added that wherever possible it was planned to let legally constituted local authorities manage the projects.

#### THOSE NOT TO BE TRUSTED NOW TO BE TRUSTED

And so we have the delightful situation of a decision being reached by Washington to have Federal housing projects—which the Federal Government has built, constructed, designed and planned because it could not trust the local authorities to do it—turned over when completed to local authorities to manage, irrespective of whether those local authorities are so constituted as to manage them successfully—solely on the ground that, thus, legal limitations and difficulties will be obviated.

These difficulties alone would seem to indicate to any reasonable person the undesirability of Government entering the housing field and attempting the management of vast projects of this character.



## THE PUBLIC BECOMES CRITICAL

The public is gradually acquiring a knowledge of the inefficacy of the Government's housing work—both as a “primer of the industrial pump” and as a solution of the housing problem. It is not strange that, viewing the ineffective efforts of the Government through a period of two and a half years with almost no results visible, that the public should begin to ask questions as to whether this is the kind of work that the Government ought to be engaged upon, and whether a great mistake has not been made in embarking upon a housing programme—to say nothing of a slum clearance programme.

Such criticisms come from all quarters—from members of the architectural profession who have given study to the problems of housing and have knowledge of the difficult elements that enter into it, from publicists, from the Press, from advocates of housing reform, from housing workers and, even indeed, from extreme radical groups most enthusiastically advocating housing reform as a Government enterprise.

Nobody is satisfied. There can be no question about the intense zeal with which the persons who have been called to Washington to undertake this work have rallied to the support of this cause and have worked day in and day out—nights, Sundays and holidays—to achieve the results that have been achieved under great difficulties and great handicaps.

That in itself sheds much light upon the unfitness of Government to engage in such enterprises.

Why should it have been necessary with all the untold millions of funds available to the Government, which it is spending like a drunken sailor, to have had to economize in its staff and to work individual members of that staff away beyond their strength, and as if there were some great emergency or danger confronting the country?

There is no such situation. There is plenty of money. There are plenty of people available who could be employed. It is simply a question of sound organization. And while this zeal of the crusader, which seems to pervade official Washington at the moment, has many advantages, it also has many disadvantages. It ought not to be necessary through a period of two and a half years to work under such difficulties or limitations.

In criticizing the housing work the Government has done, we are fully cognizant of the devoted service many people have rendered and the real desire they have evidenced to achieve definite results and bring about important social reforms.



## NOT "LOW-COST" HOUSING

The *Architectural Forum*, commenting on the Housing Division's work in a recent issue, had the following to say:

The Housing Division's record, though nothing to boast about as a sum total of two years' work, is somewhat better than most people give it credit for being. \* \* \*

It is interesting to observe that the average rent for all the housing is \$7.50 per room which, though slightly under normal figures, still leaves unhoused the very poor for whom they were intended. The problem of really low-cost housing is still to be solved.

A similar criticism is voiced by the National Public Housing Conference, the leading organization advocating Government housing, an organization carrying on an active propaganda in support of that principle. Commenting on one of the limited-dividend projects whose construction has been made possible by the use of Government funds—viz: the Hillside Homes in the Bronx, recently occupied by tenants—this organization has the following to say:

Despite the fact that 88% of the total cost of \$5,718,000—or over \$5,060,000—was loaned by the Government at 4% over an amortization period of 34 years, the unit of rooms that comes the nearest to meeting the economic needs of 516,000 families in New York now paying between \$11 and \$30 a month for living quarters consists of 3 rooms and bath (kitchen counted as 1 room) renting at \$38. \* \* \* Hillside Homes reproduced a thousand fold will not have the slightest effect upon slum occupancy.

## AN ARCHITECT SPEAKS

One of the most outspoken critics of the Government's housing work is Albert Mayer, a New York architect, who has given much study to the economic as well as the architectural side of the housing problem. In two articles published in recent issues of *The Nation*, Mr. Mayer deals with the Administration's efforts at housing during the past two years and has the following to say with reference to those efforts:

Out of the Administration's semi-efforts at housing in the last two years, it has become quite clear that nothing significant will eventuate. The final stage has been President Roosevelt's recent decision, at the Hyde Park Hopkins-Ickes conference, to cut public housing funds still further. The public must dig beneath the glittering phrases still used by government officials and grasp that this is the virtual abandonment of low-rental housing.

And again:

We must understand that the reasons for the Administration's failure were largely gratuitous rather than inherent. Most important



was the lack of first-rate housing minds to think a programme through, and inattention to the advice of those who were there. Not the President, not Hopkins, not Ickes ever met any first-rate men intimately or talked with them long enough to get any comprehension of the problem.

Moreover, the various isolated agencies which were created nullified one another's purposes. For instance, the Home Owners' Loan Corporation would bail out a mortgage and revivify the owner in some area where the PWA was trying to assemble land for slum clearance; the Federal Housing Administration might refuse a loan which it found had been accepted later by the Federal Home Loan Bank; the FHA might be insuring a modernization loan in a district where the PWA was trying to make an assemblage. Failure to coordinate the agencies is inevitable when they are basically incapable of coordination, established for purposes that are incompatible. And finally in the PWA, the agency charged with slum clearance and low-rental housing, there was an almost unbelievable series of gratuitous errors, sudden reversals of policy, petty bickerings, arguments about procedure.

That the work of the PWA is not the only aspect of the Government's housing efforts which calls for scathing comment from Mr. Mayer is evident in what he has to say with regard to the work of the Federal Housing Administration. Pointing out what he considers their departure from their own standards in making loans and what he refers to as the shoddy quality of one of their approved developments, Mr. Mayer points out very pithily:

If the Government insures a lot of houses that are or shortly will be bad investments, it is going to be in trouble sooner or later—and not very much later at that.

### THE SEARCH LIGHT OF PUBLIC COMMENT

The most intense light thrown upon the work of the Government in the housing field is to be found in an article in a recent issue of the *Baltimore Sun*.\*

After referring to the material reduction made by the President this Fall in the amount of public funds to be used for housing, the article points out:

1. That of the \$133,000,000 worth of "low-cost" housing projects which the PWA has under construction or out for bids, *the nation's taxpayers are to pay at least 45% of the tenants' rent.*
2. That the cost per family in the projects which the Government is developing will average \$5,937.
3. That even on a minimum annual rental of 7%, the rents will have to average around \$34.63 a month. At that figure the projects will fail to fulfill their "low-cost" objective, as according to housing experts, including the PWA's own staff, rents must be brought down around \$20 a month.

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\* As we go to press, too late for publication here, we have received a letter from the Public Works Administration taking exception to these statements.



4. That in order to bring rents down, *to make them seem low*, the Government is indulging in the legal fiction that this is only a matter of bookkeeping and that the Government may treat its own agency, the PWA, as if it were a state or municipality and was in the position of making a grant or loan to that municipality. The PWA is, therefore, making to the Housing Division—its own agency—an outright grant of 45% of the cost of each project and is considering the remainder, the other 55% of the cost, as a loan to it.

#### THE TAX PAYERS TO PAY HALF THE RENTS

These 45% grants are not repayable and thus the taxpayers will have to bear 45% of the cost of these low-cost housing projects—just as they are bearing 45% of the cost of all non-Federal PWA projects and 85% to 100% of the cost of all of Mr. Hopkins' PWA projects.

5. The Government is not in all respects treating the Housing Division's projects as on the same footing as those of municipalities or states. It is charging states and municipalities 4% interest on the loans it makes for 55% of the cost of its projects, whereas it is only charging its Housing Division 3% interest on such loans, which—as is pointed out—means an additional subsidy to low-cost housing in the form of a saving of \$100,000 a year on each \$10,000,000 of loans.
6. These loans are made for a 60-year period on structures of a type which the Bureau of Internal Revenue reports have a useful economic life of not exceeding 42 years.
7. Officials said that none of the PWA houses would be sold, that all instead would be rented. When asked how the Government proposed to handle its entry into the apartment house management business, they said that the form of management had not been decided but was being studied.
8. It may be that the management of the projects will be entrusted to local "Housing Authorities" with the Federal Government retaining supervisory powers. What are these local Housing Authorities? They are the so-called "Housing Authorities" established in a handful of cities under authority of hastily conceived legislation and with no thought of carrying out the duties about to be imposed upon them.
9. It is said that it had not been decided whether the PWA would put a maximum limitation on the incomes of persons eligible for occupancy.



#### NOT FOR THE POOR AFTER ALL

Here again is a startling situation. The only conceivable basis on which the Government can indulge in these housing projects is in carrying out the powers given to the Government by the statute to develop, as public works to relieve unemployment, either slum clearance projects or low-cost housing projects.

The statute does not define what constitutes a "slum" nor what constitutes "low-cost housing". The Government should at the inception of its work have reached a determination as to what *does* constitute low-cost housing and should have clearly defined it and limited its field in accordance with the purposes of the statute; but nothing of the kind has been done.

Instead, in a happy-go-lucky manner the Government has been proceeding with its plans, endeavoring to keep costs down as far as possible in the hope that they may be able to achieve so-called low-cost housing. All kinds of arbitrary figures have been mentioned as to what constitutes low-cost housing. But although \$130,000,000 worth of projects to be paid for out of the taxpayers' money have been authorized and are soon to be started, not a single determination has been had as to the kind of people who shall live in these houses, as to what their incomes shall be or whether persons obviously able to afford housing without subsidy should be allowed to live in the subsidized housing.

The *N. Y. Sun* in a recent editorial had the following to say with reference to the latest announcement of the "success" of the Government's housing work:

Hope springs eternal in the breasts of the Federal housing planners. A host of zealous workers in the cause of better dwellings for slum families seems to know no disillusion, let the government fail as often as it may. Others feel that the efforts of Washington to spend the public's tax money on real estate ventures not only have been ludicrous in their futility, but that they also have retarded private enterprise. \* \* \*

The New Deal's record in the housing field has been typical of bureaucratic fumbling. Neither as an important aid to employment nor as a successful attempt to improve housing conditions in the country can PWA slum clearance be taken seriously. Those plans should be taken seriously as another form of governmental extravagance. They can be taken seriously as an invasion of private business by a Federal agency about to spend \$129,000,000 in the next year, and perhaps more, taking that money from the people to bestow it on a small minority. \* \* \*

Still Washington goes ahead strewing its millions over the land, buying sites, drawing blue prints, engaged in an enterprise with which the Federal government should have no concern.



### WILL THE PEOPLE APPROVE?

We wonder whether the voters of the country when they realize this situation will give it their approval? Will they view with equanimity a proposal that the Government should go into the busi-



ness of building, owning and managing apartment houses for well-to-do people and renting them at rents a large part of which is paid by the taxpayers of the country?

### WHAT IS TO HAPPEN?

What is to be the outcome of all this mess?

There seems to be a general impression in the Press and on the part of the public that the President has begun to realize that the Government's housing work is a mistake; that as a "primer of the industrial pump", it has not been a success; that it takes too long to get going—practically nothing having been done worthy of comment through the long period of two and a half years—hardly a way to meet an "emergency"; that of all the forms of public works undertaken by the Government, slum clearance is the most costly on a per man basis,—recent published figures showing that it costs almost \$5,000 a year to provide a year's work for 1 man, whereas under the WPA plan a man is placed at work for a year for less than \$800 and other public works provide one man-year of work for each \$1300 spent.

If the President is able to give attention to the details of the vast projects which the Government is carrying on, it would seem as if he must realize by this time that the Government's adventure in the housing field is a mistake and that irrespective of what attitude the Supreme Court will take on the legal and constitutional questions involved, it would be the part of wisdom for the Government to retire as quickly and as gracefully as possible from the business of building, owning and managing apartment houses and private homes.

In the interest of housing reform, as well as of the country's welfare, we reiterate our recommendation to the President made some time ago.

"End it!"

# GOVERNMENT HOUSING IN THE UNITED STATES

AS SEEN BY A FOREIGN OBSERVER

*The following article by Dr. Ernst Kahn of Frankfort suggests as a substitute for the present building of houses directly by the U. S. Federal Government a plan by which, with Federal aid limited to a subsidy of no more than \$100 a house, ample low-cost housing will be produced that will really reach the low-income group.—Editor.*

The World War brought building in Europe to a sudden halt. Men and material were needed for the war machine, and there was no need for new shelter. Vacancies increased to 10, 12, 20% as millions of young husbands joined the colors and their wives were forced to close their homes and return to their parents' homes. Most of the unmarried men were likewise in the field, so the normal increase of families by marriage was interrupted. An example is provided by Germany where before the War the number of marriages fluctuated between 7 and 8 per 1,000 and dropped to 5 in the years from 1915 to 1918.

When peace came not a single belligerent nation was ready for the tremendous housing shortage that sprang up almost overnight. The dissolution of millions of families by the death of their nourisher was more than offset by the sudden upward sweep of the marriage rate, which in Germany reached a peak of 15 per 1,000 in 1920. Further, the almost complete stoppage of normal maintenance and repair took a heavy toll on existing residential buildings.

A housing shortage, like the deprivation of any necessity, is a sizzling social and political bomb. The masses faced with lack of food, unemployed and suffering from the inevitable post-war disillusionment, were in no mood for substandard housing. All manner of emergency measures were tried. Maximum rents, the compelling of owners and tenants to take in subtenants and providing temporary shelter in old railway cars were the most common sedatives. Owners were not permitted to fix their own rents, could not evict undesirable or non-paying tenants and were compelled to house families at the pleasure of the political authorities. The tenants themselves turned bitter at the

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*Through the courtesy of the Architectural Forum we are enabled to republish two striking articles which appeared in those columns written by Ernst Kahn giving his observations and impressions of the housing situation in the United States. Dr. Kahn was for 12 years Financial Editor of the famous newspaper, the Frankfurter Zeitung, and in recent years was associated with Ernst May, the distinguished architect, in the building of Frankfort's low-cost housing developments, and became Director General of all Frankfort housing. Dr. Kahn has recently left this country for Palestine where he is taking charge of a housing programme there. He expects to publish a book in the near future which will amplify these discussions and cover other phases of the problem as well.*



encroachment upon their family privacy. But the most desperate malcontents were the homeless couples who often had to wait years to find shelter.

### THE HIGH COST OF BUILDING AND BUILDING MONEY PROPELS EUROPEAN GOVERNMENTS INTO HOUSING

In normal times such a shortage would immediately beget a building boom; but this was not the case in post-war Europe. Why did private enterprise fail to supply the houses so eagerly asked for? The foremost and decisive reasons were the abnormal cost of building and the abnormal height of interest rates. All building operators realized that building costs prevailing at that time—from 50 to 100% above normal—could not last, being based on a temporary shortage of material, and that any investment in housing would result in heavy losses as soon as the normal price level was established.

The lack and cost of capital was a factor even more detrimental to any private housing activity. The main item in calculating rents the world over is the amount paid for interest. Usually not less than 60 to 70% is directly or indirectly required for payment of interest on the capital invested or borrowed. After the War the mortgage rates in European capital markets ran two or three times as high as in normal times. The usual cost of mortgage money in Europe for inexpensive housing is from 3½ to 4%. From 1920 to 1922 mortgage money, if available at any price, cost as much as 12%.

Consequently, practically all European governments, neutral or belligerent during the War, were pushed into taking an active part in housing to avoid even more violence and uprising than actually took place.

To make things worse for the Governments, the critical housing situation combined with the general unrest made the public realize that the problem of sheltering the masses had never been properly met, even before the War. It began to be apparent that capitalism, no matter how great its merits in other directions, had utterly failed to solve the housing problem in practically any direction. Even the most ardent admirer of "laissez faire, laissez aller" had to confess that the result of 100 years of individualism in town building was little short of complete failure—architecturally, economically and socially. And, finally, it became obvious that housing could not be solved without some planning and supervising by authorities. In some countries statesmen, administrators and architects realized that this very emergency offered

their country's first great opportunity for a thoroughgoing reform of human shelter and a total reorganization of urban living.

It is not quite easy to show in a fully satisfactory way what the different European governments actually spent in assisting low-cost housing and which system they followed, as the policy very often changed and the subventions granted by the different central governments frequently were augmented by additional help offered by states and municipalities sometimes hidden under various headings. A compilation published at the author's suggestion in the 1933 "Wirtschaftskurve" by Hans Kampfmeyer offers some characteristic figures for the period 1920 to 1929 being the period of the principal publicly assisted low-cost housing activity in those eight European countries which seem most interesting.

It is nearly impossible, as I have already stated, to give an exact impression of the methods followed by the different countries without being very exhaustive. However, the Table may offer some characteristic facts, showing the activity in housing—most impressive in Holland—and further illustrating that this activity only partly was based on public help. Nevertheless, what the governments of eight countries supplied to accomplish the task, either in the form of subsidies or on a loan or guarantee basis, amounts to billions of gold dollars.

#### HOUSING ACTIVITIES 1920-1929

Country	New Dwellings Erected			Public Money Offered	
	Per 1,000	With Public Help per 1,000	Total (In Millions of Gold Dollars)	Subsidies	Loans and Guarantees
	Inhabitants	Inhabitants	Dollars)	In Per Cent.	of the Total
England and Wales.....	38	28	550	45	55
Holland .....	60	24	165	19	81
Sweden .....	20	4	24	9	91
Denmark .....	22	12	46	13	87
Norway .....	8	5	36	44	56
Belgium .....	27	10	60	20	80
Czechoslovakia .....	10	5	103	13	87
Germany .....	28	21	998	---	100

#### WAR IN EUROPE—DEPRESSION IN THE U. S. CREATE PARALLEL SHORTAGES IN LOW-COST HOUSING

In examining today's housing situation in the U. S. the observer cannot help but note its resemblance to the European problem of 15 years ago.

Compare the four-year War with the five-year Depression; compare the European doubling up of families resulting from the men's



absence on the battlefield with the shifting of unemployed from the cities back to their rural native places in the U. S.; compare the war-time drop in the European marriage rate with the reluctance of marrying in times of unemployment in this country, and finally compare the scarcity of material and cheap capital which obstructed Europe's private enterprise housing with the artificially high building costs and the poorly organized mortgage market in America—you are faced with practically the same task in today's United States as faced you in Europe 15 years ago.

To illustrate the situation by facts and figures: Whereas the number of dwelling units erected in 257 cities of the U. S. averaged 400,000 a year between 1925 and 1929, this figure fell steadily to 20,848 in 1934, thus leaving the number of new homes for a constantly increasing population below that destroyed by fire (30,000 a year), not to mention another several thousand homes demolished for other reasons. As to the conditions of the existing homes, any visitor is amazed at their sorry appearance. In the 63 cities counted by the Real Property Inventory 44.6% of the houses were found to need minor repairs, 15.5% structural changes and 2.2% were fit for demolition only.

Striking similarities between Europe and the United States are also apparent in the other conditions which build up a shortage. Doubling up of families is reliably estimated at 7%. The shift of population from cities to farms, which totaled 800,000 from 1930-1932, has been reversed. In 1933 and 1934 the net movement from farms to cities was 227,000 and 211,000 respectively.

The movement of the marriage rate, too, follows European figures. The pre-Depression figures for the United States may be put at 10.5 marriages per thousand inhabitants; the Depression let it drop temporarily to 7.5. It started up again last year with an average of 9.4 per thousand. Record marriage rates of 14 to 15 per thousand are as likely for the U. S. of 1936 and 1937 as they were actual in post-war Europe.

Assuming then as we have a right to that a major increase in residential building is imminent, the question arises whether the old system of housing by private enterprise without any government help is feasible.

It seems to be a rule valid all over the civilized world that the rent should not require much more than 15 to 20% of the income. This share may be somewhat higher in this country than in others as the rent in America frequently embraces amenities usually not offered in most European countries, such as heating, baths, refrigeration and sometimes even light. Based on a limit of say 20% of the income to

be spent for shelter, the odds for satisfactory housing activities unassisted by public help appear rather hopeless. What builder is prepared and able to offer decent and cheap rents to the 60% of the population whose income is below \$1,000?

To begin with, wages and prices of material bring the cost of a single-family house to twice the present cost of English ones and are some 100% higher than in pre-war times. Unfortunately, this extraordinary high cost of building by no means exhausts the difficulties. Important as this undoubtedly is, even a very considerable reduction would not solve the problem. Even if for one reason or another an average dwelling unit could be erected at half the present prices and thus bring the cost down to an approximation of the present English price level, rents still would be twice as high as they are over there. The full explanation for this amazing fact will be shown later on. For the time being it may be sufficient to give just the most important reason—*the difference in house financing on both sides of the Atlantic*. The European house owner has to pay half of the American money rates for his mortgages, sometimes he pays even less. The high rates prevailing here are the more strange when you realize that money is far more abundant in the U. S. than in Europe, especially in Continental Europe. There are two reasons responsible for this decisive advantage in European housing: (1) a better organization of long-term credit, and (2) the participation of the Government in financing low-cost housing.

#### WHEN MONEY COSTS 4% OR MORE, THERE CAN BE NO HOUSING FOR THE POOR WITHOUT GOVERNMENT AID

As stated above, it was primarily the high rate of interest which forced European governments to go into housing. Different as the causes for the present obnoxious rates in this country are, the regrettable consequences to housing are just the same and rents based on mortgages bearing a return of more than 4% will always make housing for the low-income groups impossible.

I claim that for a rich country like the U. S. the scarcity of cheap mortgages is unnatural. It seems to me just a problem of better organization to place sufficient money at reasonable rates at the disposal of a housing programme, no matter how ambitious it may be. Sad to say, this organization is bound to take considerable time. Years may elapse before this aim will be achieved. And yet the country can scarcely afford to wait so long with its urgently needed re-housing job. Con-



sequently the U. S. government will be forced to assist housing at least for some time to come.

Once you accept the necessity of at least temporary public participation in housing the question arises as to which form or rather degree of government activity seems to be most efficient.

The fundamental question a government has to decide is, whether housing has to be taken over as a public agency, such as schools and roads, or whether it is wiser to leave the management and the financial responsibility to private enterprise and to confine the country's share to some degree of financial and other assistance and supervision. There are varying degrees of governmental participation, but the major alternative has to be decided first. At first glance, it may look as if the decision is more or less dependent upon political doctrines—Socialists naturally advocating public ownership, conservatives preferring some other solution.

I propose to leave dogmatic theories completely out of this discussion. The decision should be dependent on practical considerations exclusively. In fact, nothing is more detrimental to practical housing than being dogmatic.

It is logical, in some respects, for a government to consider housing as a public obligation, just as some governments—even capitalistic ones—consider telephones, railroads, etc., as proper objects for state ownership. There is at least one European country which has adopted this policy—Austria, or rather Vienna.

#### CRUSHING PUBLIC DEBT IS NOT THE ONLY CONSEQUENCE OF GOVERNMENT-BUILT DWELLINGS

One should, however, realize what such an attempt means if fully carried on. In Vienna the authorities have practically assumed the complete housing activity for the lower-income classes, which embrace the bulk of the population. Should the U. S. adopt such a programme, the old established housing interests would eventually disappear. The lifetime of any house is limited to a certain number of years; consequently the privately owned homes would slowly be replaced by houses erected by the authorities. This process would be considerably accelerated if the Government's dwellings should be offered at lower rents than those which had to fix their rents on a profit-making basis. As low rents seem to be the principal if not the only motive for such an activity, the disappearance of privately owned low-cost homes would

inevitably be the final outcome. An elimination of private ownership causes far-reaching political, social and financial consequences.

Financially, the government would face a gigantic task never experienced before. Basing the need for the 20-year period from 1935 to 1955 at 500,000 units a year\*—a total of 10,000,000 homes—of, say, \$4,000 each, the Government would have to invest some 40 billion dollars. Even if such task should and could be carried on as a paying proposition, it would involve a creation of public debt to an extent hitherto unknown. Whether the floating of such huge issues would be possible without serious disturbance to the security market is more than doubtful. The essential question from a financial point of view seems to be whether a sufficient return of the invested capital would be possible or even within the aims of those responsible.

In the case of Vienna the authorities renounced such an ambition from the outset. They did not expect any return whatever on the invested capital. The rents simply cover the expenses caused by management, repairs, etc. Apart from the heavy taxes which such a system necessarily would cause—not less than 2 to 3 billion a year in the case of the United States—it would inevitably involve tremendous losses for the individual owners of the old houses. As the State would hardly dare to deprive many millions of citizens of their income and so drive them and their creditors into bankruptcy, heavy indemnifications would have to be paid, burdening the taxpayer's shoulders with additional charges of billions of dollars. No Congress, no President would dare do it. In the case of Socialistic Vienna such an experiment was feasible only because inflation had practically wiped out all financial obligations of the house-owners.

### THE DANGERS OF GOVERNMENT HOUSING

The political consequence of 100% public house-ownership should be carefully considered before entering such a task. Few advocates of public housing are conscious that a considerable percentage of the population, or rather the voters, are house owners. There is little doubt that the rise of National-Socialism in Germany was partly attributable to property owners and other middle class groups who felt that their very existence was endangered by those responsible for housing in that country.

There are other reasons which make publicly owned and managed housing appear somewhat problematic. There is, for instance, the

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\* *An estimate based on past averages, normal increase in family population, the acceleration of obsolescence by the Depression, and the undoubling up of families.*



question whether a government, be it a federal or a local one, is a good administrator in this particular field. From my experience in Germany, I should not hesitate to say that it is more than doubtful. If the administration lies with municipalities, the danger of graft or at least favoritism cannot be denied, be it expressed when the contracts are issued or the tenants chosen. In case housing is centralized in a federal agency—as seems to be the intention in the U. S.—another danger arises in the strictly bureaucratic machinery which is scarcely avoidable. In both cases the collecting of the rents is much more difficult than through any other landlord. This, anyhow, is definitely borne out by European experiences.

### A DROP IN THE BUCKET

Those in favor of direct federal activity as planned by the present Administration may consider the present plans only a demonstration to encourage others to enter the low-cost housing field. In fact, the 120 or even 250 million dollars usually mentioned as the amount the Federal Government intends to invest, certainly does not carry the problem very far. At its best it is only a very modest contribution leaving the bulk of the solution to other agencies. I am afraid it will do considerable harm and not tend to induce others to follow the example for these reasons: the Government seems to be willing to base its rent-calculating on conditions not within reach of private competitors. So that as demonstrations they are meaningless. The government makes the point that it does not propose to compete with private enterprise, but as a matter of fact by the simple device of using its credit, it is creating a demand for housing at rentals that can not be matched unless the same cheap money is available to individuals.

### CHEAP MONEY DESIRABLE

If, however, the Government should abstain from direct housing, what should be its role? Since low rents are primarily based on low mortgage rates, it becomes apparent that the Government's participation should be one which insures the availability of a plentiful supply of mortgage money at rates sufficiently low to procure the desired rentals. It is by no means necessary, however, for the Government itself to supply the money. On the contrary, such a plan is to be definitely avoided for the same reason that government-building should be avoided. In many cases the European countries preferred to offer

a guarantee to the mortgagee, instead of lending the money direct. As far as Federal credit is concerned, such a guarantee is scarcely different from a bond issue. But there is in practice a decided difference. Furthermore, in European countries the guarantee is never given for the total mortgage, since the first 40 to 60% is usually considered a good risk in good times and bad and requires no guarantee outside the property itself.

Inasmuch as the National Housing Act does this very thing, the problem is not one of direct government lending nor of additional mortgage guarantees. The problem still is to get the interest rates down under the special guarantees of the NHA.

#### REDUCE THE INTEREST RATE TO $3\frac{1}{2}\%$ BY DIRECT SUBSIDY

The plan which I propose is one that follows a primary principle of government aid—i. e., it should be the most inexpensive form of assistance possible. To illustrate the plan, let us suppose that in meeting the expected yearly demand of 500,000 dwelling units a year, 350,000 would be intended for the poorer classes, and as such, objects of government aid. Using the Department of Labor average of \$4,000 per unit, the total cost of low-cost housing would be \$1,400,000,000. Under the Federal Housing Administration 20% of this would be the equity of the property owners and the remaining \$1,120,000,000 would be mortgage money.

At the present time the average rate of interest is about  $5\frac{1}{2}\%$ , but at that figure the housing could never rent for a figure low enough to house the population for which it is intended. Rents based on  $3\frac{1}{2}\%$  money, however, would be within the reach of those to be housed. (See Table.) Therefore the Government should pay yearly a direct subsidy of 2% to the builders of housing to bring down the effective interest rate to  $3\frac{1}{2}\%$ . Two per cent (2%) of \$1,120,000,000 is not quite \$22,500,000.

The Table, which attempts to show what such a programme would mean to American housing, requires some explanation. First, it is not a forecast; for such an undertaking inevitably fails. It is impossible to know beforehand the number of houses which will require aid, the future developments in the bond market, or the dates at which anticipated mortgage rate reduction will materialize. Also the Table does not take into consideration the constant decrease in principal by amortization. It aims to show only a general trend of the annual interest reduction system based on a theoretical example.



# GENERAL TREND OF INTEREST REDUCTION

Year	Number of Dwellings to Be Built	Average Mortgage Interest Rate	Number of Units Temporarily to Be Assisted	Number of Units Not to Be Assisted Any More As Result of Anticipated Interest Rate Reduction	Total Number of Units to Be Assisted Each Year	Average Mortgage Subsidy Assuming \$3,000 Mortgage	Annual Aid Required	Average Net Rate of Interest on Mortgage
1936	500,000	5.5%	350,000	-----	150,000	1.50%	\$ 15,750,000	4 %
1937	500,000	5 %	250,000	-----	250,000	1.30%	23,400,000	4 %
1938	500,000	5 %	250,000	-----	250,000	1.20%	30,900,000	4 %
1939	500,000	4.5%	200,000	150,000	150,000	0.75%	20,250,000	4 %
1940	500,000	4.5%	200,000	200,000	100,000	0.64%	17,280,000	3.89%
1941	500,000	4 %	150,000	200,000	150,000	0.50%	12,750,000	3.74%
1942	500,000	4 %	150,000	50,000	300,000	0.50%	14,250,000	3.60%
1943	500,000	3.5%	100,000	250,000	150,000	0.50%	12,000,000	3.39%
1944	500,000	3.5%	100,000	50,000	350,000	0.50%	12,750,000	3.05%
1945	500,000	3.5%	100,000	50,000	350,000	0.50%	13,500,000	3.00%
Total	5,000,000		1,850,000	950,000	2,200,000		\$172,830,000	

The Government grants annual aid to a certain percentage of dwellings of a 5,000,000 unit housing programme spread over 10 years. The average interest rates are supposed to decrease with the growing popularity of the newly established mortgage insurance system. This should make it possible to house an increasing percentage of families in the lower-income groups without subsidies. It is estimated, rather arbitrarily, that the mortgage interest rate decreases gradually from 5½% in the first year to 3½% in the eighth year.

As a result of the assumed decrease in rates it is presumed that, out of the 500,000 homes to be erected annually, a constantly decreasing number will require annual aid. The calculation starts with 350,000 to be built in the first year and drops to 100,000 in the programme for 1942—when the average interest rate approaches 3½ per cent. This cheaper money should enable the mortgagee to convert old mortgages with high interest rates into those bearing lower rates. Such a conversion is usually not possible before the first 3 years have passed, and this is the basis for the 3-year period which precedes possible conversions.

The Table indicates that out of the 350,000 units erected in 1935 a certain percentage, 150,000 units, can be carried without any aid after 1938. The reason for considering only 150,000 of the 350,000 units is this: If an interest rate of 4½% is assumed, it may provide rents cheap enough for a part but certainly not all of the tenants. Consequently, a considerable percentage of those 350,000 units originally subsidized need further assistance. In the last column of the table, it is noted that the average net interest to be paid by the house-owner is decreasing and finally reaches 3%. It is important, however, not to be misled by "average interest rate"; for it is neither necessary

nor useful to give the same aid to all the various types of low-cost housing since the acceptable rate of interest varies widely.

If the estimated figures prove to be fairly close to the actual facts for this programme, the amount of government-aid will be very small, if compared with England's yearly burden for housing in 1940—\$100,000,000. Furthermore, it may be more than counterbalanced by savings in governmental expenditures for relief. The yearly assistance, averaging \$17,290,000, will be well spent, and not a sacrifice if 5,000,000 decent dwellings can be built by 1945.

#### \$1 PER ROOM PER MONTH IS THE RENTAL REDUCTION OBTAINED BY A 1% CUT IN INTEREST

It may be useful to show the decisive influence of money rates on housing. Let us base our example on a 4-room flat erected at a total cost of \$4,000, thus bringing the average price for each room at \$1,000. Let us further assume that in this particular case the other current expenses to be charged on the tenant (including profit, taxes, depreciation, maintenance, losses on vacancies and arrears, etc.) would require \$240 for the flat or \$60 for the room, we arrive at these results.

Influence of the rate of interest on the rent in a typical case:

Rent per room per month	If the capital invested costs
\$11.67	8%
10.83	7
10.00	6
9.16	5
8.33	4
7.50	3

The influence of the rate of interest on the rents obviously is of the greatest importance. A change of just 1% enables a reduction of nearly \$1! It goes without saying that it depends on this factor whether housing the poorer classes will be possible or not.

It is true it may take some years until the proper technique is developed and before the American public realizes the fundamental difference between the ill-famed mortgage debentures of pre-Depression times and a conservative, easily salable guaranteed new mortgage bond. In some parts of continental Europe this type enjoys a higher reputation than government securities. One may reasonably hope that before long capital for housing can be procured without government interference cheap enough to offer decent shelter for the bulk of the population. This not only would make a continuance of



government money unnecessary but should enable a conversion of expensive money, borrowed in the initial years of housing activity, into cheaper money. This would enable Government to bring a stop to at least part of its annual help.

The financial advantage of such a system as compared with any other is obvious. If adopted by the authorities, it should save billions. At a cost of a few hundred million dollars the most gigantic housing programme ever seen could be carried out.

There will, of course, always be a certain portion of the population which can not even afford a rent based on an interest rate as low as 3 or 3½%. This, however, is from a financial point of view a minor problem as it refers to a very small percentage of the population. Besides the housing of these elements is a relief rather than a housing problem.

ERNST KAHN

## WORDS OF WISDOM ON MANAGEMENT

In the ardent discussion of how to approach the huge problem of low-cost housing there is just one rather important person who seldom is consulted—the future administrator or manager of all the wonderful houses the reformers dream of. This omission may turn out to be the hole in the dike; for, success or failure is vastly dependent on the way it is administered.

In fact the real problem only starts when the architect leaves his job. The task of the administrator is difficult and far reaching because of a fundamental distinction between his function and the business of the ordinary property manager. Whereas it is up to an efficient manager to secure for his boss as high a return as possible, the manager of those new low-cost housing developments we all have in mind can never forget the noble aim of the whole rehousing movement they are supposed to serve.

The outlay of many billions, partly out of the tax-payer's pocket, hardly would be justified if rehousing were to confine itself to replacing old structures by new ones. Rehousing in a broader sense aims at producing a new generation fundamentally happier and better than the old one through the instrument of a home contrasting the hopelessly insufficient, overcrowded, ill-planned dwellings of our days with shelter not only at lower rents, with more space, light and amenities, but also by the encouragement of a sound community life.

But a satisfactory conception alone of the management problem will scarcely guarantee success. Rehousing is bound to fail unless based on sound business principles and unless the management is aware of the profound shortcomings in human nature. The tenant seldom is an angel; he has to be guided diplomatically, educated—sometimes forced—into the right way.

Again and again one has to keep in mind that housing is no charitable institution. Unless the capital invested in housing can expect at least a moderate return, and unless in the course of the years sufficient reserves are accumulated, no housing scheme will work.

NO COUNTRY IS RICH ENOUGH TO ESTABLISH AND CARRY THROUGH A PROGRAMME LARGE ENOUGH TO MEET ITS CITIZENS' HOUSING NEEDS, IF NOT PRIMARILY CALCULATED TO BE SELF-LIQUIDATING.

#### U. S. RENTS BASED ON DOUBLE THE RETURN REQUIRED OF FOREIGN HOUSING

The calculation of rents varies widely in different countries. No matter how ingenious he may be, a manager can alter certain items only with difficulty, if at all. Others vary widely with the efficiency of the individual administrator. To illustrate both the chances and the limitations of reducing the expenses of low-cost housing we may start safely with a somewhat crude comparison of European and American charges in housing. Such a compilation simultaneously may explain why rents in this country so vastly surpass those in Europe. It goes without saying that the instances given apply by no means to all actual developments. The table does not claim to offer any kind of "scientific" average. It just attempts to show the characteristic differences in dealing with low-cost housing on both sides of the Atlantic.

#### RENT CALCULATING IN EUROPE AND U. S. (BASED ON TYPICAL CASES)

	<i>U. S.</i>	<i>Europe</i>
Interest and profit on invested capital.....	8.5%	4. %
Depreciation on invested capital.....	2. %	.5%
Repairs on invested capital.....	1.5%	.7%
Management on invested capital.....	.8%	.4%
Taxes on invested capital.....	2. %	2. %
Losses on vacancies on invested capital.....	.7%	.2%
Losses on arrears on invested capital.....	.8%	.1%
	<hr/> 16.3%	<hr/> 7.9%



Interest rates have started downward in this country, but similarly European mortgage money is also cheaper for low-cost housing—in England between 3% and 3½%, in Germany not higher than 3%. So that—generally speaking—capital invested in real estate yields twice as high a return in this country as in Europe. Since the cost of building surpasses the European level by 100%, one easily understands the alarmingly high rents in the U. S.

#### INEXPENSIVE CONSTRUCTION THE FIRST ELEMENT IN LOW RENTS

Before exploring the possibilities of reduction in expenses we may observe that an administrator should use his influence to obtain as inexpensive construction as possible without endangering the durability of the project, realizing that any additional capital expenditure involves additional charges for interest and depreciation. This seems to be one reason, out of many, why the future manager should be consulted as soon as the drafting of the future development starts.

As to the current charges, there is comparatively little chance to cut down the interest rates prevailing in a country. This is primarily a question of more efficient organization of long-term credit. It undoubtedly is beyond the power of an individual person to replace an 8% mortgage by a 4% one as long as market conditions cause those high charges. Yet this does not mean a complete impotence on the administrator's part. In the first place, a mortgagee prefers to lend his money to an efficiently managed property even if he must accept lower interest rates. The chance of better borrowing conditions will certainly improve if any form of government assistance is to be expected, and it is up to the administrator to show the authorities how essential lower interest is in housing the underprivileged. A difference of only 1% may enable him to lower the monthly rent per room by 80 cents—based on a price of \$1,000 per room.

#### DEPRECIATION FIGURED ON A 60-YEAR INSTEAD OF A 30-YEAR BASIS

The table shows a striking contrast in calculating depreciation on both sides of the Atlantic. European experts feel entitled to reserve not more than ½ of 1% of the capital invested for depreciation, thus spreading the life of the houses over a period of 60 years. There are cases where even a depreciation of 100 years is approved by the authorities (Germany). Frequently the depreciation is based only on the actual cost of the structure, thus leaving aside the cost of the land. In

America one usually calculates rather above than below 2% on the entire cost, including land.

This difference in method naturally has a significant influence on the rents. Based on a cost price of \$1,000 a room, the adoption of Europe's method would bring the monthly rent per room down by \$1.25. How is that strange discrepancy to be explained? Does the American way of building have a considerably shorter life than the European technique? This does not seem to be the case. On the contrary, even the average American frame house is often of more solid construction than most of the English brick cottages.

It safely may be assumed that the quick depreciation generally expected in America is based not so much on poor physical structure as on the social structure of the country. There are plenty of instances in practically every American town where the influx of a race or a nation considered as inferior suddenly drives down the value of entire neighborhoods. This often is combined with overcrowding by proletarian elements who quickly run down the property. In Europe such depreciating influences do not exist.

Granted then that depreciation in America is almost wholly due to outside influences rather than to inherent weaknesses in the construction, the problem of retarding obsolescence by the management becomes clear.

#### WHEN REFORM ACCOMPANIES HOUSING THE USEFUL LIFE IS LONGER

Low-cost housing rightly conceived should automatically diminish practically all the dangers of a premature depreciation. First of all, housing reform cannot tolerate overcrowding. Further, one of the principal aims of American low-cost housing managers should be to fight that quick shifting of the population and to insist on congeniality of his tenants. In this point he certainly is in a decisively better position than the individual proprietor who is powerless if his neighbors take in heterogeneous tenants, causing a removal of the old established population in this particular section.

This danger point in American housing can easily be avoided if a single agency deals with the management and renting of an entire neighborhood. Influx of undesirable tenants, wholesale shifts of population, intrusion of non-conforming structures can be minimized, if not prevented entirely. In view of these advantages of large development, it seems unreasonable to insist on as large a depreciation reserve as 2%. One to one and a half per cent should be adequate.



One often meets the objection that too low a depreciation rate may be dangerous considering the quick technical progress in our time and more especially in this country. This pessimism does not seem to be borne out by experience, as there are many older housing developments which still serve their purpose despite having gone through several technical revolutions. The most famous instance is the Fuggerei in Augsburg (Bavaria), a Foundation which built row-houses for the poorer classes more than 400 years ago, which is still serving its original purpose in a most satisfactory way, although the lighting system has changed successively from burning chip to candle, from candle to oil, from oil to gas, from gas to electricity.

#### AN ANNUAL REPAIR FUND IS A PRIME ESSENTIAL IN KEEPING COSTS LOW

The third item in our table refers to "Repairs." Once more we find over here an outlay twice as high as in Europe. To limit repairs to a tolerably low expenditure without endangering the property is one of the fundamental problems of any housing manager. The experience of some of the older demonstrations in Europe should serve as a warning. They show only too clearly that repair expenditure may easily endanger the financial structure of a housing company. One should not be misled by the comparatively moderate requirements during the first years. After a period of 15 to 20 years even model structures sometimes require major repairs absorbing in one year 20 and more per cent of the rent. One cause of costly repairs can be eliminated—the architect should not be given too free a hand in experimenting with all kinds of new ideas. Rehousing should not be hostile to progress, yet it easily may cause heavy losses if those experiments turn out to be failures.

There cannot be any doubt that the most efficient safeguard against premature repairs is a solid structure. For this reason the German low-cost housing regulations demand from the contractor a 3-year guarantee. Should any repairs become necessary during this period, the contractor is liable.

Right from the beginning a scientific management should establish a repair account and endow it regularly no matter how low the actual need may be for the time being. Interest on the fund naturally accelerates an accumulation of a sufficient reserve for forthcoming requirements.

The accumulation of such a repair fund simultaneously helps towards the solution of another problem otherwise not easily dealt with. The slow depreciation rate advocated above frequently may

contrast with a considerably quicker amortization demanded by the mortgagee, thus causing a gap between income and actual obligations. The repair fund, not required for many years, may fill this gap. Later, when the actual repairs exceed the yearly assignment out of the revenues, the amortization of these mortgages will have been completed. Thus the money borrowed by the amortization fund from the repair fund can be easily redeemed when required by the rising expenses for maintenance.

To be on the safe side it is good practice to strengthen both the depreciation and the repair account out of extraordinary profits whenever they may arise. Those special profits are by no means out of the question in housing! Sometimes the renting of stores yields a higher return by the square foot than calculated, sometimes a premature reimbursement of mortgages with a discount is possible.

#### SHOULD THE TENANT OR THE MANAGEMENT MAKE MINOR REPAIRS?

So far, in discussing methods of keeping repair costs within certain limits we have dealt only with the financial side of the problem. Important as this certainly is, repairing is primarily an administrative and technical task. The administrator must decide whether he has to undertake any minor repairs or whether this should be left to the tenant. There is, of course, no hard and fast rule in dealing with this question. The decision is to a certain degree dependent upon local custom, the type of tenant one has to deal with, etc. As to the technical side, there are wide possibilities. Again it is an open question whether these repairs should be executed by one's own staff or by the trade. As a rule it may be wise to steer a middle course, avoiding both over-staffing and too much contract work.

Keeping the structure always in good order not only saves money but pleases the tenant. This is of the greatest importance as a contented tenant is the surest guarantee against abnormal repair expenses, because each turnover involves heavy extra repair. European instances show how in times of a crisis, and consequently serious shrinkage in income, repairs required at least twice the amount in normal times, because the heavy turnover required redecoration for most of the dwellings which changed hands. One of the leading German housing corporations figured out that each change in occupancy equals the rent of fully one month. In America it may run even higher.



## LARGE SCALE MANAGEMENT REDUCES THE ESTIMATED .8% FOR OVERHEAD

The table puts the cost of management including all other overhead expenses in this country at 8/10 of one per cent of the capital invested as compared with only 4/10 of one per cent in Europe. To base overhead expenses on the invested capital is a somewhat uncommon method, as they usually are brought in relation to the rents. We select this method in order to enable a better comparison with the other items. Anyhow, we again arrive at distinctly higher charges over here. This may be due partly to the considerably lower compensation a European manager receives. His salary sometimes seems to be in striking contrast to the heavy moral and financial responsibility on the manager's shoulders. This certainly is the case in England, at least, where the woman manager has to live on an income not so very different from a skilled laborer's wage. Yet the main reason why overhead expenses compare unfavorably with Europe lies in the smaller size of the developments. America, the classical country of highly concentrated capital and consequently huge units in industry, up to now possesses few housing companies comprising more than 1000 housing units, whereas England, Germany, Austria and Holland show instances where many thousands of dwellings are under one management.

Vienna's city-owned and centralized housing comprises 66,000 dwellings; in Birmingham, England, nearly half of this record figure is handled from one desk; in Germany one single corporation, inaugurated by trade-unions, controls as much as 20,000 units all over the country, whereas some local demonstrations in Cologne and Frankfort (Main) show some 15,000 each under one Board. This concentration naturally cuts the overhead expenses materially, as an increase in the number of tenants does not raise the staff accordingly.

The concentration of many units under one management involves other advantages—the most important one, as compared with smaller companies being a certain spread of the risk. These large corporations are in a position to build different types of dwellings and single-family houses and apartments—smaller and bigger units, developments on the outskirts and in the center, cheap and more expensive dwellings. Such a variety of types enables the companies to act as a kind of a clearing house for their clients. All these obvious advantages make a similar evolution highly probable for this country.

## IMPROVED HOUSING IS IN ITSELF A WEAPON AGAINST VACANCIES

The European housing expert visiting this country is at first amazed at learning the considerable losses on arrears and vacancies

his American colleague considers as normal. Whereas the European model demonstrations claim that their average losses on rents are limited to 1% of the rents, one is again and again assured that a loss of 5% is considered normal—the contrast in vacancies being somewhat less pronounced. Gradually one grasps the reason for this striking difference. The tendency of shifting from one neighborhood to another, obviously, is much more pronounced in America than in Europe. This tendency undoubtedly leads to vacancies.

As to the higher arrears in this country, they may be principally caused by the absence of a compulsory social insurance protecting the workman and employe against the hazards of employment, sickness or accidents. In times of depression when many of his tenants lose their jobs, it is one of the major problems for a European housing manager to come to an understanding with the relief administration as to which of the rents of those out of work are fully or partly paid out of public means.

Such an understanding is much easier to be achieved if the authorities have to deal with a comparatively small number of large housing corporations, as compared with a multitude of single house owners.

#### A FIRM HAND NECESSARY TO PREVENT RENT ARREARAGES

The prevalence of the latter type in America certainly is another reason for the abnormally high arrears. The landlord would rather run the risk of losing the rent than to have his dwelling empty, as the depreciation of vacant units sometimes is alarming. This is especially true with single-family houses in slum districts. To the visitor from abroad one of the strangest sights is to see in distressed quarters houses uninhabited only a few weeks or months already deprived of their windows, doors or even roofs by some neighbor who was short of fuel. It goes without saying that fear of these deprivations never would induce a European housing manager to follow a lenient policy in rent collecting, as dangers of that type do not confront large developments. On the other hand any experienced manager realizes the moral and economic dangers of rent arrears. He knows in the first place that it is harmful to the tenant to let arrears start, as it involves him in debt. That is why the very first delay must be dealt with energetically. There are many ways the problem can be solved. In many cases a mere warning persuades the slow tenant to find the overdue rent somewhere. Quite often, however, an investigation will show that he positively cannot pay the full rent any more; and the family has to be moved as a matter of common interest to a cheaper shelter. This, of course, is



much easier with a big company which has a variety of dwellings at its disposal. To collect rents weekly seems to be another effective method of keeping arrears down. Some European administrators succeeded in arranging the payment of rents in advance which naturally is, to a certain extent, a safeguard against losses.

Manifold as the methods of fighting arrears may be, it tests a manager's abilities to keep the losses down to a tolerable percentage. Even the most efficient is bound to fail if political or other influences interfere. No matter how social minded a housing demonstration may be, rents have to be collected fearlessly if the project is to succeed.

To summarize: The essential point in solving the housing problem for the under privileged is low rent. Any activity in this field, therefore, has to start with the utmost effort to eliminate unnecessary charges.

#### TENANT ASSOCIATIONS A FREQUENT CURE FOR OPERATING ILLS

Granted cheap rents based on sound financing and efficient management, the art of handling the tenant is the next most important quality in low-cost housing. No measure should be omitted to make the tenant feel happy in his surroundings. He has to be convinced that the administration always acts in his interest and that even the punctual and full payment of rent is essential as the basis of social minded housing.

To further such mutual understanding, permanent intercourse between both parties must be maintained. Obviously, the manager of a large development is not in a position to deal personally with all the tenants' sorrows. But he can act wisely by constantly keeping in contact with representatives of his tenants. No matter how busy he is, he should visit typical dwellings regularly. Furthermore, he should encourage his clients to form Associations and elect representatives to discuss their problems with him. Meetings of this kind offer a splendid opportunity for better understanding. As the manager learns the complaints of the tenant, the tenant easily becomes convinced that everything possible is being done to cater to his wishes. It is only one step further to induce the tenant to cooperate with the administration in saving money and even in educating and, if necessary, fighting disagreeable elements.

Tenant's strikes obviously cause heavy losses and lower the development's standing in public opinion. They should not, if the management establishes confidence. Here is an instance from our experience in Frankfort. One day, in the midst of the depression, the rather

young Communist representative of a largely unemployed housing district announced his intention of starting a rent strike in order to fight the company which, he explained, the district considered a typical capitalistic proposition. My assurance that the company was managed exclusively in the tenants' interest was met with skepticism. Whereupon I offered to instruct his constituents and their friends in the elements of housing management based on the actual figures and facts of our corporation. They accepted my suggestion; the class began, my new pupils bringing along as much skepticism and opposition as possible. After the first two or three lectures of the course they admitted that a rent strike would positively be against their interests. Furthermore, they requested me to continue the classes. Some of these opponents soon became my most devoted helpers in that specific housing section. Personally, I would not confine myself to a loose cooperation with the tenant but would go much further in offering their appointees one or two seats on the board of the housing corporation. Their eligibility should be subject to certain conditions, such as a punctual payment of the rent, permanent tenancy, etc., in order to avoid the election of mere demagogues and professionals. These members of the board would be valuable advisers in many practical questions and most likely would assist the management more efficiently than other members of the board less familiar with the needs.

Families accustomed to poor housing conditions living their lives in run down dwellings may be inclined to treat the new surroundings no better than the old and thereby cause premature depreciation of the new houses. The danger clearly indicates the desirability of a certain guidance of the tenant's life. Even a hundred per cent business man without any social understanding can appreciate what harm his development is bound to suffer if the children are not offered kindergartens, playgrounds, etc. Children, being children, will damage the property if they are not dealt with properly and are kept within the apartments or compelled to play in narrow courtyards or on the streets.

#### SPLITTING THE COST OF COMMUNITY ACTIVITIES WITH THE TENANTS

Naturally, all improvements cost money and increased carrying charges. Any expenditure for community life has to be within the narrow limits of the estimate. As a rule, rents in low-cost housing seldom allow more than 1% of these rents to be spent for social purposes unless there are extra revenues; in some European cases extra



profits drawn out of the rents for stores are put aside in order to finance community life.

The problem arises whether there are not other ways to secure the necessary funds. It will sometimes be possible to assure the cooperation of local social or religious agencies. In special cases the municipality may be induced to give its help. There is at least one American city—Cincinnati—which lately offered at a cost of one million dollars a park with playgrounds to improve a Federal housing demonstration under consideration.

The most desirable way to promote community life is to secure cooperation of the tenants themselves. If possible, the tenants may be induced to take the lead, financially and otherwise. Experience shows that participation in community life is considerably keener if their own money is involved. It therefore seems to be advisable both from a financial and an educational point of view to encourage the formation of clubs or Associations to promote community life. The principal contribution to be expected from the management consists of the rooms required, whereas the current expenses should primarily be divided between local agencies and voluntary contributions of the club members. Sometimes even a modest help will carry the purpose pretty far.

In discussing the importance and the necessity of permanent tenants, one is usually assured that the average American likes to move much more often than the European, thus facing the American manager with a hopeless task. This assumption is not fully borne out by the facts. The American tenant like the European can be induced to move less, *if* the right type of shelter is offered to him at a price he can meet.

## TWO FORMS OF RENT REBATES FOR PROMPT PAYMENT OF RENT

Considering the overwhelming importance of permanent tenants, special inducements and advantages calculated to retain them may be justified. Naturally, the most efficient instrument to keep turnover within reasonable limits is a discount on the rent to be offered after a certain number of years. Such an allowance can easily be counter-balanced by the advantages of permanent tenants. A family staying 10 years in the same flat and paying all minor repairs out of its own pocket, saves the owner as much as 1 to 2-years rent, as compared with 5 families staying only 2 years.

Each turnover requires considerable expense for redecoration and involves the possibility of temporary vacancy—quite apart from

charges of advertising, paying the agent, etc., and quite apart also from the bad impression too quick a turnover leaves with present and would-be tenants.

The type of discount to be offered and when it should begin is a question of accounting. Naturally the rebate should never surpass the actual savings on repairs, vacancies, etc., by the permanent tenants, as otherwise the budget would be endangered.

Similar effects may be achieved by a somewhat different reward. Instead of actually reducing the rent, it might prove less risky to present the conservative tenant with stock in the corporation. For example, offer a discount of 5% granted on the rent after 10 years. Based on an annual rent of \$400, this would amount to \$20. In case the discount should be increased by 1% at intervals of 2 years, the tenant would receive:

After the 11th year.....	\$ 20 in stock
“ “ 12th “ .....	20 “ “
“ “ 13th “ .....	24 “ “
“ “ 14th “ .....	24 “ “
“ “ 15th “ .....	28 “ “
“ “ 16th “ .....	28 “ “
“ “ 17th “ .....	32 “ “
“ “ 18th “ .....	32 “ “
“ “ 19th “ .....	36 “ “
“ “ 20th “ .....	36 “ “
<hr/>	
Total after 20 years.....	\$280 in stock

From the Company's point of view this system may be preferable to the first one, for these reasons: that the actual revenues are not reduced, as the tenant has to pay his full rent; that the tenant receives a dividend on his stock only if and as long as the company shows a net profit and can consequently afford it. Furthermore, the tenant becomes a partner of his landlord—which from a psychological point of view is certainly important. Finally, the stock which remains as a deposit with the management as long as the tenant stays with the company may serve as a guarantee against arrears.

ERNST KAHN



## CAN THE GOVERNMENT DO HOUSING WORK—LEGALLY?

Notwithstanding the fact that the Federal Government is now spending hundreds of millions of dollars in the housing field on so-called slum clearance and low-cost housing projects, there is grave question as to whether any form of Government-housing—either Federal, state or municipal—can be carried out in the United States in view of the provisions of our Federal and State Constitutions which forbid the taking of private property for other than a “public use”.

Irrespective of the questions of policy involved; irrespective of whether it is desirable for Government to undertake this function; irrespective of whether these services can be performed best by the Federal Government at Washington or by the state governments in each of the respective states, or by the local authorities in the various localities in which the housing is to be constructed; irrespective of whether any governmental body—as governments are constituted in the United States today—is so organized that it can successfully build, own, rent and manage houses for people to live in, with all the perplexing problems that attach to real estate management; irrespective of these questions and others, it is doubtful whether any government in the United States—federal, state or local—can under our constitutional provisions legally perform these functions.

In a recent issue\* we discussed this question at length and reviewed recent decisions that had been handed down by the trial courts relative to it.

Since that time the subject has advanced toward final decision.

The Louisville case, in which a judge of the Federal District Court for the Western District of Kentucky held that the taking of private property for slum clearance and rehousing was not a “public use”—as that term is used in the Constitution and as it has been interpreted in the decisions—and that, consequently, the Federal Government was without power to condemn certain pieces of private property in the City of Louisville which the Federal Government desired to acquire in connection with a slum clearance project, was the subject of review by the Federal Circuit Court of Appeals of the Sixth Circuit.

That court on July 15th handed down a decision in Cincinnati sustaining the decision of Judge Dawson of the trial court and holding that slum clearance and housing were *not* a “public use” and that the Government could not exercise the power of Eminent Domain for these purposes.

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\* See “*Housing*”, April, 1935, pp. 62-77.

The decision of the Circuit Court of Appeals, written by Mr. Justice Moorman and concurred in by Mr. Justice Hicks, with Mrs. Justice Florence Allen dissenting, subject to the final word of the United States Supreme Court, determines the question of whether the Federal Government has the power to take private property through the exercise of the power of Eminent Domain and use it for the purpose of slum clearance and low-cost housing projects.

The decision also determines the question of what constitutes "public use".

#### THE LATEST CASE

The court's decision is summarized as follows in the official Reporter (78 *Federal Reporter*, 2nd Series, 684):

1. National government possesses power of eminent domain as an attribute of sovereignty, notwithstanding it is a government of delegated powers, and Constitution does not expressly grant the power of eminent domain.
2. Eminent domain can be exercised only where property is to be taken for a public use.
3. Article of Constitution empowering Congress to lay and collect taxes, to pay debts and provide for the common defense and general welfare, *held* not to authorize act for condemnation of private property for low-cost housing and slum clearance project.
4. "Public use", as applied to federal government's power of eminent domain, is not susceptible of precise definition, but it includes property needed for use by the public through its officers and agents in performance of their governmental duties.
5. Decisions dealing with condemnation proceedings must be considered in the light of the powers possessed by the sovereign seeking to exercise the right, since what is a "public use" under one sovereign may not be a "public use" under another.
6. The state and federal governments are distinct sovereignties, each independent of the other, and each restricted to its own sphere, and neither can invade or usurp the rightful powers or authority of the other.
7. In the exercise of its police power, a state may do those things which benefit the health, morals, and welfare of its people, but the federal government has no such power within the states.
8. National Industrial Recovery Act, so far as it attempts to authorize national government to condemn private property for low-cost housing and slum clearance projects and for purpose of reducing unemployment, *held* unconstitutional, since such use is not a "public use".



Although the court strongly indicates that it is in accord with the contention raised that the Act is unconstitutional on the ground that it is an illegal delegation of legislative power to the President, under the rulings of the Supreme Court in cases decided, including the recently decided Schechter poultry case, the court bases its decision upon

the fundamental question of the lack of right in the Government to exercise the power of Eminent Domain for the purposes contemplated by the Act.

### THE DELEGATION OF LEGISLATIVE POWER

On this question of delegation of legislative power by Congress to the President, Mr. Justice Moorman in his opinion has the following to say:

There is nothing in the act under which the appellant is proceeding to serve as a guide to the President in exercising the powers conferred upon him; no requirement that his actions be conditioned upon findings of fact made by himself or the Administrator; no standards supplied with reference to low-cost houses and slum clearance projects. Nothing is said as to what shall be deemed a slum or a low-cost house or housing project. There is no designation of the cities or counties or states in which such projects shall be established, nor any standards fixed by which the Administrator is to determine where they are to be established.

Neither is there any limitation or requirement imposed upon the Administrator with reference to the spending of the money appropriated for these purposes. All of this is left to the unfettered discretion or choice of the President, through his Administrator, without any standards by which he is to act.

It is argued for the appellee with much force and persuasiveness that this unlimited power given to the President or his Administrator to determine such matters without the aid of congressional standards is an illegal delegation of legislative authority under the rulings of the Supreme Court.

After stating "We place our decision upon the second objection to the proceeding, viz.: the lack of right in the Government to exercise the power of Eminent Domain for the purposes contemplated by the act," the court discusses the question of whether the Government of the United States possesses this power. It points out that the United States Government is one of delegated powers and that—although there is no constitutional provision expressly authorizing it to exercise the power of Eminent Domain—it is nevertheless well settled that this power belongs to the Government as an attribute of its sovereignty.

The court adds, however, that "equally well settled is it that the right can only be exercised where the property is to be taken for a 'public use'".



## PROVIDING EMPLOYMENT NOT A PUBLIC USE

With regard to the Government's contention that the property sought to be condemned in the case at bar is to be devoted to a "public use", because—"first, the construction of the project will relieve unemployment during the period of construction; and that, secondly, the leasing or the selling of the new buildings at reasonable prices will give to persons of low-incomes an opportunity to improve their living conditions", the court has the following to say:

We do not think the first of these purposes, if made effective, could be said to constitute the use to which the property is to be put. While the act purports to authorize the construction with the view of relieving unemployment, it provides that the property when taken and after the project is constructed is to be leased or sold.

The assertion that the taking of property to relieve unemployment and to improve living conditions among low-salaried workers is a taking for a public use rests upon the view that any taking which will advance the interest or well being of a selected group of citizens will result in a benefit or advantage to larger groups or the entire community and must be regarded as a taking for a public use.

## THE WELFARE CLAUSE

The Attorney General in his brief had argued that the right to take the property for the purposes involved in this case was conferred by that provision of the Constitution which gives Congress the power

to lay and collect Taxes \* \* \* to pay the Debts and provide for the common Defence and general Welfare of the United States.

Discussing this contention, the court has the following to say:

The contention is that under this clause of the Constitution the power of Congress to levy taxes and appropriate the receipts therefrom to such purposes as it may deem in the interest of the public welfare is practically unlimited, and that this power carries with it the right to acquire property by condemnation upon which Congress may expend tax funds.

The court disclaims any purpose of inquiry into the extent of the taxing power of Congress under this clause of the Constitution and contents itself with reviewing some of the different theories with reference to this contention—pointing out in conclusion, however, that that question is not before the court and that the court does not of course undertake to decide it, saying:

Whatever its extent in that respect may be, in our opinion it does not carry with it the power here claimed to condemn private property to the end that appropriations may be made for purposes deemed by Congress to be for the public welfare.

## WHAT IS PUBLIC USE?

The court's decision—as has already been pointed out—hinges upon what constitutes “public use.” After calling attention to the fact that the term is not susceptible of precise definition under Supreme Court decisions, it reviews the two theories of “public use” that are summarized in the decision of the trial court in the case at bar.

What it says on this point summarizes most concisely and effectively the conflicting points of view on this aspect of the question. Here the court says:

The trial court was of opinion that it means use by the Government in carrying out its legitimate governmental functions, or a use in relation thereto open to *all* the public though practically available only to a part of it. The Government contends that it means any use which will promote the general welfare through benefits or advantages conferred upon a considerable number of residents of the community.

In connection with the Government's citation of court decisions in support of its contention, the court shows that in these cases the proceedings were instituted “under state statutes passed to effectuate the purposes of a declared public policy of the state and that what these cases hold is that there is nothing in the Fourteenth Amendment to prevent a state from exercising the power of Eminent Domain to carry into effect a public policy which, in the light of the needs and exigencies of the state, may be regarded as promotive of the public interest.”

The court then proceeds to enlarge upon this distinction of state's rights as contrasted with those of the Federal Government and points out that what is a “public use” in one state may not be a “public use” in another; concluding that in the cases cited and in other cases involving state action the court dealt with the subject of “public use” as it pertained to the powers of the sovereign claiming the right to take, and that it must be similarly dealt with in the case at bar.

The court accordingly concludes that:

As so considered with reference to the Federal Government, it (“public use”) does not, in our opinion, include the relief of unemployment as an end in itself or the construction of sanitary houses to sell or lease to low-salaried workers or residents of slum districts.

### “FOR THE BENEFIT OF SELECTED GROUPS”

The court goes on to say that the tearing down of the old buildings and the construction of new ones on the land here sought to be taken would create, it is true, a new resource for the employment of labor and capital and that it is likewise true that the erection of new sanitary

dwellings upon the property, and the leasing or selling of them at low prices would enable many residents of the community to improve their living conditions; but, the court adds, it may be, too, that these group benefits, so far as they might affect the general public would be beneficial. The court concludes that:

If, however, such a result thus attained is to be considered a public use for which the Government may condemn private property, there would seem to be no reason why it could not condemn *any* private property which it could employ to an advantage to the public. There are perhaps many properties that the Government could use for the benefit of selected groups.

It might be, indeed, that by acquiring large sections of the farming parts of the country and leasing the land or selling it at low prices it could advance the interest of many citizens of the country; or that it could take over factories and other businesses and operate them upon plans more beneficial to the employees or the public, or even operate or sell them at a profit to the Government to the relief of the taxpayers.

The public interest that would thus be served, however, cannot, we think, be held to be a public use for which the Government in the exercise of its governmental functions can take private property. The taking of one citizen's property for the purpose of improving it and selling or leasing it to another, or for the purpose of reducing unemployment is not in our opinion within the scope of the powers of the federal government.

#### A MINORITY VIEW

Justice Florence Allen in a dissenting opinion took an opposite view and held that:

The power of condemnation by the National Government is to be considered in the light of the express and independent power of the Congress to levy and collect taxes and make appropriations to provide for the general welfare. In the exercise of this specific power, the National Government may undertake those projects which benefit the health, the morals and the general welfare of the people. One such project is the elimination on a comprehensive scale of the slum.

Early in September the Government asked the United States Supreme Court to review the decision of the Circuit Court of Appeals, contending that the general welfare clause of the Constitution gave the Government power to condemn land for housing, and pointing out that \$740,000,000 in public works allocations were being retarded and jeopardized by this decision and by the unsettled state of the law, asking for a writ of certiorari and a review of the decision.

In asking the U. S. Supreme Court to review the issue, the Solicitor General asserted that the Federal Government's powers in this field had never been passed upon by the court of last resort, stating that the



case raised a question of constitutional law of great importance which the court had never decided and that the public interests would be served by a final determination as to the power of Congress under the Constitution to authorize the acquisition of land by Eminent Domain for such a project as the one involved in this case, calling attention to the practical importance of the decision and pointing out that the Circuit Court decision jeopardized the entire housing programme of the Government.

In addition to this Louisville case, we are informed that there are 3 proceedings pending in the city of Chicago but in which the constitutional question has not yet been presented to the court. In Boston, it is announced, that interested property owners will institute proceedings in the Federal courts to prevent the Government from proceeding with its projects. In Minneapolis condemnation proceedings were brought in a given case but the land was acquired by purchase and the proceedings were dismissed.

In Detroit on October 23rd, the court sustained a demurrer and followed the decision of the Circuit Court of Appeals at Cincinnati which is now constituted as the Court of Appeals for the Federal District embracing Michigan.

In the District of Columbia, the court followed the Circuit Court of Appeals' decision at Cincinnati about a month ago.

In Georgia, Alabama, and Ohio, the courts have sustained the power of the Federal Government to institute condemnation proceedings for these purposes. It is naturally not expected that there will be any further lower court decisions on this question while it is under review by the court of last resort.

### A FINAL DECISION SOON

The United States Supreme Court has recently announced that it will hear argument on this question early in December, when an authoritative ruling may be expected to be handed down.

### SLUM CLEARANCE AND LOW-COST HOUSING

On October 21st, A. R. Clas, the Director of Housing of the Public Works Administration, announced that the initial work had been completed on the Government's housing programme and that "the first Public Housing Programme in the United States was now definitely out of the planning stage", adding that with the award of the contracts

one of the largest Government building programmes in history will be under way.

In making this announcement, it was stated that all projects undertaken by the Housing Division are either in the bidding stage or under construction—the only exception being a project in Schenectady approved only within a very few days.

These 50 projects on which estimates are now being taken and some of which are under construction involve the expenditure of \$129,725,100. They are located in every part of the country and it is stated will provide pools of employment in the building trades and in factories and mines behind the line.

### 38 MILLION MAN-HOURS OF WORK

According to Housing Division estimates, the construction of all these projects will create somewhere around 38,000,000 man-hours of work directly at the site, employing somewhere around 50,000 men directly during construction. It is estimated that this building work will create payrolls of more than \$38,000,000 for direct labor.

In addition, the production and fabrication of building materials necessary for the construction of these undertakings will create some 52,000,000 man-hours of work, releasing the sum of \$30,000,000 in payrolls.

In addition to these projects where the Federal Government is directly doing the work itself, clearing slums and building new low-cost housing projects, construction is practically complete on 7 limited-dividend housing projects to which the Public Works Administration made loans, totaling \$12,641,600. All of these 7 projects are now occupied by tenants.

What this work has meant in effort by the staff of the Housing Division is a subject of a recent public statement by Mr. Clas. He points out that it has involved the use of 10,000,000 square feet of blue prints—enough to cover the Capitol grounds under 4 layers of paper.\* Working night and day, drafting rooms have turned out 100,000 square feet of linen tracings. Specifications for the big projects covered 5,000,000 printed pages and to hasten the programme to construction the Housing Division has had to prepare, assemble and distribute some 220,000 sets of blueprints, specifications and other documents.

He stated that altogether about 2500 documents were required for each project. Every detail was checked and re-checked to eliminate

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\* We wish to assure our readers that the Capitol grounds will not be thus desecrated—Editor.

possible errors. The task was completed, it is stated, only through the willingness of the staff to give up their holidays and leisure time and to extend their working hours well into the night. Mr. Clas points out that for every project the Housing Division is required to issue 100 bid invitations, 100 bid documents, 300 specification books, 100 sets of blueprints averaging 50 pages, 1200 bid addenda forms, 400 lists of bidders and 200 tabulation sheets.

## HOUSING FOR 25,000 FAMILIES

It is added that as a result of all this effort when these 50 projects are completed, the Federal Government will have made available new modern quarters at low rentals, for upward of some 25,000 families.

This work has thus been summed up by the Housing Division:

The Housing Division of the Public Works Administration is engaged upon a national demonstration programme of slum clearance and low-rent housing. Its programme consists mainly of projects wholly financed by the Federal Government, to be constructed and operated through the Division. It also includes 7 housing developments erected by private limited-dividend corporations, operating on PWA loans under Division supervision.

A total of 50 Federal housing projects is being installed in 35 cities throughout the country and the Virgin Islands and Puerto Rico, with allotments totaling \$129,725,100 from the Works-Relief and PWA funds. These projects will provide more than 25,000 modern, fire-proof living units. On 26 sites they will replace slum dwellings with comfortable, sanitary living quarters embodying certain basic standards such as hot and cold running water, cross ventilation, adequate light, cooking and refrigerating facilities.

Twenty-one (21) projects will be erected on vacant land, offering opportunities for residents of slum property to leave substandard homes. Such vacant sites were selected pending final determination by the courts of the Federal Government's right to condemn slum-occupied land for clearance and construction of new housing. One project is to be built on land partly slum, the remainder vacant; the areas to be used in the Virgin Islands programme are yet to be determined.

Allotments for Federal projects include a 45% grant, the project rentals to repay the balance to the Government over a 60-year period of amortization. Rent terms will be determined by the final cost of the project, each development being technically planned to keep charges commensurate with those now being paid for substandard shelter.

The programme of the Housing Division will be confined to those projects listed herewith. All projects either previously announced or initiated, which are not included in this listing, are indefinitely suspended.



# STATUS OF FEDERAL PROJECTS—NOVEMBER 8, 1935

## FEDERAL PROJECTS

LOCATION NAME	TYPE	SIZE	COST	STATUS
Atlanta Techwood	3-story dormitory 2-story row houses	603 units 109 dormi- tory	\$2,875,000	Construction 62% com- plete
University	3-story apartments 2- and 3-story flats* and row houses (*Note—Flats have individual entrances)	25 acres 675 units 19 acres	\$2,500,000	Construction 16.1% com- plete
Atlantic City Site A	2-story flats* and row houses	243 units 8 acres	\$1,700,000	Site acquired Foundation bids opening Nov. 12
Birmingham Smithfield Court	1- and 2-story row houses, 3-story walk-up apartments	664 units 28 acres	\$2,500,000	Foundation bid opening Dec. 2
Boston Old Harbor Village	1- and 2-story row houses, 3-story walk-up apartments	1,057 units 30 acres	\$6,000,000	Foundation bids opened Oct. 31
Buffalo Lang Field	1- and 2-story row houses and flats	661 units 65 acres	\$4,500,000	Foundation bid opening Nov. 21
Cambridge Main Street	2-story row houses and flats and 3-story apartments	312 units 7 acres	\$2,500,000	Foundation bid opening Nov. 11
Camden, N. J. Westfield	2-story row houses and flats and 3-story apartments	596 units 25 acres	\$3,000,000	Foundation bid opening Nov. 4
Charleston, S. C. Meeting Street	1- and 2-story row houses	285 units 22 acres	\$1,150,000	Foundation bid opening Nov. 15
Chicago Jane Addams Houses	3-story apartments 2-story row houses	982 units 22 acres	\$6,500,000	Foundation bid opened Nov. 4
Diversey	3-story apartments 2-story row houses and flats	985 units 38 acres	\$6,000,000	Foundation bid opening Nov. 11
Trumbull Park	2-story row houses and flats, 3-story apartments	466 units 22 acres	\$3,250,000	Foundation bid opening Nov. 18
Cincinnati Laurel Homes	3- and 4-story apartments	1,276 units 24 acres	\$6,500,000	Foundation bid opening Dec. 6
Cleveland Cedar Central	3-story apartments	654 units 18 acres	\$3,279,000	Construction 9.8% com- plete
Outhwaite	2- and 3-story apartments, flats and row houses	627 units 21 acres	\$3,650,000	Construction Contract Awarded Oct. 31
West Side	2-story row houses 3-story apartments	620 units 22 acres	\$3,800,000	Construction bid ac- cepted Oct. 12
Columbia, S. C. University Terrace	1- and 2-story row houses and flats	142 units 4 acres	\$500,000	Foundation bid opening Nov. 6
Dallas Lucas Drive	1- and 2-story row houses	217 units 17 acres	\$900,000	Foundation bid opening Nov. 6
Detroit Chandler Park	3-story apartments 2-story row houses and flats	785 units 31 acres	\$4,500,000	Foundation bid opening Nov. 26
East Side	3-story apartments 2-story row houses and flats	1,032 units 64 acres	\$5,500,000	Foundation bid opening Dec. 2
Enid, Okla. Enid Spring Park	1- and 2-story row houses	90 units 6 acres	\$435,000	Site acquired

# STATUS OF FEDERAL PROJECTS—NOVEMBER 8, 1935

## FEDERAL PROJECTS

LOCATION NAME	TYPE	SIZE	COST	STATUS
Evansville	1- and 2-story row houses and flats	200 units 10 acres	\$1,000,000	Foundation bid opening Nov. 27
Indianapolis Community Housing	2-story row houses 2- and 3-story apartments	748 units 22 acres	\$3,025,000	Construction 4.4% complete
Jacksonville Durkeeville	1- and 2-story row houses	241 units 20 acres	\$1,000,000	Foundation bid opening Nov. 5
Lexington, Ky. Blue Grass Park	1- and 2-story row houses and flats	287 units 67 acres	\$1,500,000	Foundation bid opening Nov. 6
Louisville			\$1,618,000	Appeal to United States Supreme Court pending
Algonquin Parkway	1- and 2-story row houses	212 units 14 acres	\$1,200,000	Foundation bid opening Nov. 6
Seventh Street	1- and 2-story row houses	126 units 5 acres	\$700,000	Foundation bid opening Nov. 7
Memphis Poplar Ave.	1- and 2-story row houses and 2-story apartments 1- and 2-story row houses and 3-story apartments	756 units 39 acres 466 units 25 acres	\$3,200,000 \$3,000,000	Foundation bid opening Dec. 6 Foundation bid opening Dec. 6
Miami Sixty-second Street	Single story row houses	243 units 60 acres	\$1,000,000	Foundation bid opening Nov. 25
Milwaukee Parklawn	3-story apartments 2-story row houses	518 units 42 acres	\$2,800,000	Bids opened Oct. 29
Minneapolis Sumner Field	2- and 3-story apartments and row houses	622 units 26 acres	\$3,500,000	Foundation bid opening Nov. 20
Montgomery Riverside Heights	1- and 2-story row houses	100 units 14 acres	\$416,000	Contract awarded Sept. 24
W. B. Patterson Courts	1- and 2-story row houses	158 units 7 acres	\$459,000	Construction 21.6% complete
Nashville Cheatham Pl.	1- and 2-story row houses	356 units 18 acres	\$1,700,000	Foundation bid opening Nov. 14
Jackson Courts	1- and 2-story row houses and standard 2-story flats	387 units 22 acres	\$1,500,000	Foundation bid opening Nov. 14
New York Williamsburg	4-story walk-up apartments	1,625 units 21 acres	\$12,783,000	Foundation bid opening Nov. 29
Harlem— McCombs Pl.	4-story walk-up apartments	574 units 8 acres	\$4,700,000	Foundation bid opening Nov. 19
Oklahoma City	1- and 2-story row houses	400 units 18 acres	\$2,000,000	Foundation bid opening Nov. 12
Omaha North Side	1- and 2-story flats	398 units 15 acres	\$2,000,000	Foundation bid opening Dec. 6
Philadelphia Hill Creek Park	1- and 2-story row houses; 2-story flats; 3-story apartments	300 units 24 acres	\$1,800,000	Foundation bid opening Nov. 5
Puerto Rico Caserio Mirapalmeras			\$775,000	
Schenectady, N. Y.	Row houses and apartments	288 units 10 acres	\$1,500,000	Foundation bid opening Nov. 27

# STATUS OF FEDERAL PROJECTS—NOVEMBER 8, 1935

## FEDERAL PROJECTS

LOCATION NAME	TYPE	SIZE	COST	STATUS
Stamford, Conn. Fairfield Ave.	1- and 2-story row houses; 3-story apartments	156 units 5 acres	\$800,000	Foundation bid opening Nov. 14
Toledo Belmont Division	2-story row houses and flats; 3-story apartments	376 units 15 acres	\$2,000,000	Foundation bids to be opened Nov. 19
Virgin Islands Caserio Mirapalmeras			\$250,000	
Washington, D. C. Langston	2-story flats and row houses; 3-story apartments	322 units 13 acres	\$1,600,000	Foundation bid opening Nov. 12
Anacostia Terrace			\$60,000	Site acquired
Wayne, Pa. Highland Ave.	2-story row houses and flats	26 units 2 acres	\$300,000	Foundation bid opening Dec. 2

## LIMITED-DIVIDEND PROJECTS

LOCATION NAME	TYPE	SIZE	COST	STATUS
Altavista, Va. Altavista Housing Corp.	Small single-family frame houses	50 units	\$84,000	Completely occupied
Bronx, N. Y. C. Hillside Housing Corp.	Apartments, highest 6 stories	1,416 units (4,948 rooms)	\$5,060,000	1,130 units occupied Sept. 26
Euclid, Ohio Euclid Housing Corp.	Individual and double houses		\$500,000	34 houses completed and occupied 9 under construction
Philadelphia Carl Mackley Houses	3-story apartments	284 units	\$1,039,000	247 apartments occupied Sept. 17
Queens, N. Y. C. Boulevard Gardens	Apartments, 10 buildings 6 stories high	960 units (3,615 rooms)	\$3,450,000	All apartments rented Sept. 8
Raleigh, N. C. Boylan Housing Corp.	Apartments	54 units (180 rooms)	\$198,000	All apartments rented
St. Louis Neighborhood Gardens	Apartments	252 units (641 rooms)	\$640,000	48 apts. completed and rented Sept. 30



## AIDING PRIVATE ENTERPRISE

### FEDERAL HOUSING ADMINISTRATION TO THE FRONT

There has been much talk recently in the Press that the Administration at Washington is inclining toward "soft-peddalling" the work of slum clearance and construction of "low-cost" apartments and is leaning more and more towards encouraging the return of private enterprise to the building field through government-insured mortgages along the lines which the Federal Housing Administration is empowered to carry out.

The Federal Housing Administration is at last beginning to get into its stride. A statement issued from that agency a few weeks ago indicated that there were pending with them at that time applications to insure mortgages on \$365,500,000 worth of low-cost housing throughout the country. It is likely that 66 private projects to cost \$175,000,000 will probably be undertaken, with the Government insuring the necessary mortgages.

The work done by the Federal Housing Administration differs radically from that done by the Public Works Administration. While it does involve government-aid to housing, it does not involve subsidy of any kind—as the activities of the Federal Housing Administration are limited to the insuring of mortgages and in no case does it supply, or even lend, a single dollar of money.

It is expected that from 175,000 to 200,000 rooms will be built in this country in the near future under this privately financed drive, with rents ranging from \$6.50 to \$17 per room per month.

Two interesting examples of the possibilities under this method of aiding private enterprise are to be found in two New York City projects recently authorized. These will provide 10,755 rooms to rent from \$11 to \$15.63 per room per month. Another interesting object lesson of the improved housing standards that can be achieved through control of its finances is the recently completed housing development for young married persons on the outskirts of Washington at Clarendon, Virginia, where a very charming group of two-story apartment houses that look like private dwellings, developed on an admirable site plan, have recently been completed, and are now fully occupied.

The important recent changes in the law affecting the National Housing Administration passed by Congress and approved by the President last May have been summarized as follows by the *Architectural Forum*:

## SUMMARY OF PRINCIPAL AMENDMENTS PASSED BY 74TH CONGRESS FACILITATING THE ADMINISTRATION OF THE NATIONAL HOUSING ACT

1. The limit of \$2,000 originally set on insured modernization loans has been increased to \$50,000 on certain types of property, in order especially to encourage improvements to business and industrial property, and the purchase and installation of machinery and equipment. Under the amendment it is not necessary that equipment and machinery become a part of the real estate.

2. The face amount of debentures paid to mortgagees in satisfaction of insurance claims is to include interest (present guaranteed rate is 3 per cent per annum) from the date foreclosure proceedings are instituted by the mortgagee. Originally provision for payment of interest was made only from date title to property was delivered to the Federal Housing Administrator.

3. The restriction that heretofore prevented a national bank from placing real estate loans outside its own Federal Reserve district, or farther than 100 miles from the location of the bank regardless of district lines, has been removed. This should facilitate especially the sale of insured mortgages between banks that have a correspondent or similar relationship with one another.

4. The requirement that in making a real estate loan a national bank must acquire the entire mortgage has been removed. This should make it feasible for banks to join with one another in financing low cost housing projects under the terms of the Housing Act.

5. Provision is made whereby the Comptroller of the Currency may classify as investment securities, rather than as real estate loans, BONDS issued against FHA-insured mortgages on low cost housing projects.

6. Holders of bonds secured by mortgages insured under the low cost housing provisions of the Housing Act are excepted from the corporate reorganization provisions (Section 77B) of the Bankruptcy Act.

7. The proportion of their funds that national banks may invest in real estate loans has been raised to 100 per cent of their capital and surplus or 60 per cent of their time and savings deposits, whichever is the greater. This raises the effective limit of mortgage lending by national banks to approximately \$4,700,000,000, an increase of approximately \$1,100,000,000. At present the volume of mortgages held by national banks is approximately \$1,300,000,000. Hence, they could increase their mortgage loans by \$3,400,000,000 before reaching the effective limit; and in the case of mortgages insured under the Housing Act such loans may be made up to 80 per cent of the appraised value of the property.

8. Under regulations to be prescribed by the Board of Governors of the Federal Reserve System, real estate mortgages will be eligible as security for advances by the Federal Reserve banks. Mortgages insured under the terms of the National Housing Act are also eligible as security for advances by the Federal Home Loan banks, to approved mortgagees, whether or not they are members of the Federal Home Loan Bank System.

9. Section 21 (a) 1 of the Banking Act of 1933 under which it was unlawful for institutions receiving deposits to engage in the business of buying and selling securities, has been amended so as to permit banks to sell mortgages without recourse or agreement to repurchase.

That the work of the NHA will greatly expand with the change in the law enacted last May which permits mortgages to be insured up to amounts of \$50,000 in place of the \$2000 top limit that had heretofore prevailed is obvious. In an attractive pamphlet entitled "Loans up to \$50,000" the Federal Housing Administration explains to the general public the possibilities that inhere in this enlarged opportunity, pointing out that no Government money is loaned under the Modernization Credit Plan, but that the Government through the Federal Housing Administration insures modernization credit loans granted by all approved lending institutions. The borrower makes his own arrangements as to the amount of the credit, the terms and interest rate—which, however, may not exceed the maximum established for his protection by the Federal Housing Administration which is now 5% for all classes of mortgages, but a lower rate may be charged.

Under new administrative rules and regulations, these interest rates have been reduced along with various service charges and other conditions affecting insured mortgages. While the Administration operates under the so-called National Housing Act, it is by no means limited either in its purposes or functions to residential construction. It functions equally with regard to all types of property. It is, as a matter of fact, making modernization credit loans for store buildings, apartment houses, hospitals, colleges, schools, factories—for every kind of building where the conditions warrant it.

In a recently issued statement the Administration estimates that at least 400,000 retail establishments need modernization applied to both exterior and interior—such as new store fronts, new floors, paved parking ways, sidewalks, basements, drive-ins, garages, new interior treatment.

From the "before and after" pictures which are to be found in this interesting pamphlet, there can be no doubt about the desirability of modernizing these types of property from the point of view of the merchant who occupies them. For a slight expenditure, a shop can be made very attractive with a resultant increase in its business.

Figures issued October 21st by Stewart McDonald, Federal Housing Administrator, show the volume of business which this agency of Government is now doing. Up to that time modernization and repair notes had been insured to an amount of \$185,338,724; mortgages had been selected for appraisal up to \$200,190,239; while low-cost housing mortgages accepted for insurance amounted to \$21,371,874—a combined total of \$406,900,837. All of this was with private capital, insured by the Government through this agency.



The Administration estimates from such statistical sources and reports as are available that since the launching of the programme of modernization and repair by the Federal Housing Administration more than \$900,000,000 of this type of work has been done.

With regard to home mortgage insurance, it is stated that approximately 72% of the mortgages selected for appraisal will be accepted for insurance; of this amount it is estimated that 38% will be for the construction of new homes.

## THE FINANCE OF HOUSING

### THE WORK OF THE FEDERAL HOME LOAN BANK

The only housing legislation passed by Congress this year was certain technical but important amendments dealing with the Federal Home Loan Banking System and its subsidiary agencies and amendments to the National Housing Act dealing similarly with the finance of housing.

This legislation became effective the end of last May when President Roosevelt signed the measure known as Public Act Number 76. Amendments were made to 3 separate statutes, all included in this single measure—the Home Owners' Loan Act, the Federal Home Loan Bank Act and the National Housing Act. All the amendments were in the direction of broadening the powers of these agencies in increasing and easing their credit facilities. At the time the new legislation became effective, John H. Fahey, Chairman of the Federal Home Loan Bank Board, issued the following statement explaining its significance.

On this occasion he said in part:

The new Federal home relief Act just signed by President Roosevelt is intended to benefit directly or indirectly some 10 million urban families who have homes of their own. It will help to give them greater security in the possession of their dwellings. It also tends to make home values more stable by making home-financing available on more convenient terms and at lower rates.

The new Act emphasizes the convenience of the long-term amortization type of loan, which permits the home owner to become free of debt in the shortest practicable time by repaying his debt gradually in small regular sums out of his wages or salary. The basic objective of the Federal Home Loan Bank Board is not to urge home owners to go into debt, but to place within their reach through private and Federal lending institutions a type of home-mortgage loan which enables them to get out of debt as quickly as possible and with the lightest possible burden upon their incomes. The new legislation carries this useful programme forward through each of the four Federal agencies under this Board's administration. It encourages sound loans for desirable housing expenditure.

The Act also makes investment safeguards through insurance more readily available to the large number of men and women whose savings are held in our local mutual home-financing institutions.

The Act seeks these objectives by amending in important respects the Federal Home Loan Bank Act, the Home Owners' Loan Act and the National Housing Act. It takes into account the progress already made in rehabilitating American home-finance through the Home Owners' Loan Corporation. That Corporation in less than 2 years has lifted the dead weight of mortgage default from more than 860,000 families. It has warded off a serious threat to the entire social and economic fabric by removing from the forced sale market within so short a time so large a number of dwellings which faced foreclosure.

Partly as a result of that operation, the private lending institutions now have abundant funds for making new loans on liberal terms. Home real estate values have considerably improved in nearly all sections. The number of new homes built in the first 4 months of 1935 represents an increase of 134% over the first 4 months of 1934. These factors provide a solid, natural foundation from which this new legislation should operate to the benefit of all home owners and the building industries—to say nothing of the private home-financing institutions and the millions of thrifty people whose savings are placed in their care.

### 1,750 MILLION MORE IN BONDS

In authorizing the additional issuance of \$1,750,000,000 in bonds of the Home Owners' Loan Corporation this Act insures completion of the emergency task of protecting more than one million temporarily distressed home owners, many of whom could not be taken care of within the amount previously authorized. This Corporation is intended solely to relieve cases of genuine mortgage difficulty. No useful purpose is served by applying to this Corporation now to refinance a home loan which can actually be carried by private financial agencies. Such applications under the law must be promptly rejected. However, the relief features of the new legislation are of minor importance.

The primary object of the new Act is to benefit the 9 million urban home owners who are not in distress. This measure goes further than any previous legislation to make safe, economical home ownership possible for thousands of families who have never before had that opportunity.

By broadening the powers of the Federal Home Loan Bank System the Act encourages all private home-financing institutions to offer liberal terms to home-owner borrowers. It likewise creates a greater volume of credit for the use of such lending agencies, allowing a larger number of families to secure amortized home mortgage loans at reasonable cost, for the purchase, building, refinancing or improvement of their properties.

In order to make this type of loan more widely available to home owners, this Act authorizes the Federal Home Loan Bank Board to employ up to \$300,000,000 to buy Federal Home Loan Bank bonds, or to make deposits or investments in institutions which are members of the Bank System or insured under the Federal Savings and Loan Insurance Corporation.

## REDUCING THE COST OF INSURANCE

Stronger protection against loss for savings which the people place in home-financing institutions of the building and loan type is the purpose of this Act in reducing by 50% the cost of insurance to such institutions through the Federal Savings and Loan Insurance Corporation. Our wage earners who put their small savings in these local thrift institutions are entitled to every safeguard which can be developed by cooperation between the Federal Government and the private lending institutions. The Government has already established an ample fund and a properly regulated Insurance Corporation to protect such savings up to \$5,000 for every investor in any institution so insured. The people have every right to demand that their own thrift Associations take steps to give them this added protection.

Millions of our people are already awake to the need of modernizing their homes. Hundreds of thousands of others contemplate the building of new homes. This new Federal measure should help these families to realize their plans for more pleasant living conditions. It gives them greater security in the possession of their dwellings. It expands the volume of private capital for home-loan investment. By protecting such savings it also helps to make mortgage money available to home owners at lower cost. All of those objectives are to the interest of the entire public. They are the logical result of the successive steps taken by the Federal Government in the past three years to restore strength and stability to the whole structure of American home ownership and home finance.

## RENTS INCREASING—VACANCIES FEW

The results of a nation-wide survey recently completed by the Federal Home Loan Bank Board indicate that a decided improvement has taken place within the last few months in real estate and home financing conditions. These findings were based upon answers received from 1466 Building and Loan Associations and cooperative banks throughout the United States in response to an inquiry from the Board.

"Of particular interest as evidence of wide-spread recovery in residential real estate conditions", said Mr. Fahey, the Chairman of the Board, "is the nation-wide increase in rents—the report showing an average advance in rentals of 7.6% since April 1st last. Similarly, the occupancy ratio among habitable houses has greatly increased in nearly every state—the national average occupancy being 94.8%."

Mr. Fahey adds that in a number of large and small cities in many parts of the country there are now practically no existing vacancies in dwellings, which could properly be classed as habitable structures, and suggests that a housing shortage impends.

Further indications of evidence of the beginnings of recovery in the home mortgage field is the fact that the Associations making such



reports have a larger volume of funds available for home mortgage loans at the present time and that foreclosures have greatly diminished.

The foreclosures made by the Home Owners Loan Corporation at the end of September numbered 1614 and it is expected they will reach the figure of 5000 within the next year. According to Mr. Fahey, however, this will represent a small percentage of the loans. Up to the end of September, the Corporation had acquired 231 pieces of property by this means.

On August 31st, last, interest and principal payments due the Corporation amounted to \$213,428,576, of which \$45,935,411 had been due for 90 days or more. "This," Mr. Fahey states, "compare very favorably with the operations of private lenders."

Even in this limited field of financing of homes through existing private institutions, the Government is at a disadvantage—for there are many citizens who feel that so long as it is Government money they are under no obligation to repay it and that they can participate in the "hand-out".

Facts made public recently by the Home Owners Loan Corporation show that they have had to deal vigorously through criminal prosecution with a variety of frauds in connection with their work, the sum of \$472,000 having been recovered by this means. These funds were recovered after the detection of such frauds as solicitation or collection of unauthorized fees from applicants, unauthorized charges to borrowers by former mortgage holders, impersonation of employees of the Corporation and by forgery. In other words, the chisellers and racketeers have found this new branch of Government a fertile field for their activities.

It is stated that 25 persons have been convicted, 86 indictments procured and 214 cases were pending at the beginning of November before Federal Grand Juries, with more than 1,000 reported frauds being studied by the Corporation.

The attitude of some borrowers and home owners toward the Government is disclosed in the statement of the Home Owners Loan Corporation that since it began its foreclosure proceedings, they have been faced with the new problem of wanton destruction of homes by persons who are forced to move out. "The owner knows that we are going to foreclose," said one official, "and before we come in he may tear down the light fixtures, take out stoves or do other damage."

Attempting to sketch future developments in this field, Mr. Fahey stated that the Corporation's lending activities would be stopped in

about two-thirds of the states on January 1st and that the remainder would end between January 1st and June 13th—the date fixed by statute for the cessation of new loans through this agency.

### WHAT OF THE PRIVATE BANKERS?

What happens when Government invades any field normally occupied by private enterprise was disclosed recently in a statement made by Silas H. Strawn of Chicago, former President of the American Bar Association, at a Convention of the Mortgage Bankers Association of America.

Mr. Strawn on this occasion pointed out that strong steps will be necessary to get the Government out of the mortgage business and said:

It is an inherent characteristic of bureaucracy to desire to perpetuate itself.

He added, “Besides, the Government will be reluctant to face the inevitable loss resultant upon its financial ventures”, and pointed out that on July 31st, last, the Government was lending through its various corporations and credit agencies a total of \$8,147,000,000; which Mr. Strawn said, equalled 40% of the loans of all the banks of the nation.

Mr. Strawn said that he believed that the citizens of this country preferred, on the whole, to deal with individuals and private institutions rather than with governmental agencies.

And he was optimistic enough to express the hope that Congress is coming to a realization of the peril of collecting taxes from all of the people to finance a part of the people.

### Land Settlement - Resettlement Admin SUBMARGINAL PEOPLE AND UNDERPRIVILEGED LAND

We publish in this issue an article dealing with the work of the Resettlement Administration presenting the case for that movement as seen by those responsible for it.

If our readers find it difficult to keep track of the various and varying activities of the Government at Washington it is not surprising. For, as soon as a movement begins to get started and arouses widespread criticism—as so many have done—the Administration, like the famous ostrich, sticks its head in the sand and hides from its critics by changing the name of the work it has been doing, creating a new agency of Government to carry on that work.

And so it is not surprising if our readers should find it difficult to find our old friend, the Subsistence Homesteads movement, under its new title of the Resettlement Administration.

The Resettlement Administration represents the uniting of four separate agencies of Government which hitherto found expression in movements known as the Subsistence Homesteads movement, the Federal Emergency Relief Administration's Rural Community work, the Land Policy Settlement work of the A.A.A. and the Land Utilization work of the A.A.A.

Thus, it ranges from administering relief to families who happen to live in the country—and whose relief problems differ for that reason from the relief problems of families who happen to live in the city—to the rehabilitation of the land as well as of the family.

It includes the questionable project of the Government's buying up so-called "submarginal land"—a hifalutin name for poor land—taking it off the hands of those persons who have been unable to make a success of its development and moving these unsuccessful families to some happier clime—it is hoped some happier clime—and then devoting the land to such other purposes as it may be fit for, after vast sums of money have been spent on it to put it back into the condition in which it originally was.

#### THE UNSETTLEMENT ADMINISTRATION

As we view this wide range of interest and objectives, we are not sure that it would not be more appropriate to designate this new agency of the Government as the "*Unsettlement Administration*". We are inclined to believe it will unsettle more things than are dreamt of in Washington's philosophy.

Just how or why it is a function of the Federal Government to undertake the rehabilitation of farming families; to transfer city workers to the suburbs and there build for them new towns and establish them in new industries; to make good to families, able to achieve only part-time employment, the deficiencies in their incomes caused by that fact; to restore fertility to the soil of the land in different states throughout the Union; to make up for the neglect of individuals in those states who have failed to care for that land and develop it for its own best interests; to make up for the failure of the states to conserve their natural resources—how and why and when these things became the function of the Federal Government remains undisclosed.

Perhaps we shall learn before long from the United States Supreme Court that they are *not* the function of the Federal Government and



that there is no legal authority to be found for the Federal Government's undertaking many of them—even in an “emergency”. We have yet to learn of any provision of the Federal Constitution to the effect that when an “emergency” exists, all of the provisions of the Constitution are automatically suspended thereby. The people of this country, however, have been led to believe that such is the case.

Irrespective of these questions, the fact remains that the Federal Government is embarking on these activities. In so far as they affect housing we view them with mixed emotions.

It is startling to learn that more than 500,000 farm families are being aided financially by the Government to get a new start in life and that the taxpayers throughout the country—many of whom are quite unwilling to bear the burden—are being compelled to carry these unsuccessful dwellers in the country upon their shoulders.

For the Resettlement Administration, it is reported that the President has allotted the “petty sum” of \$180,000,000 for rehabilitating farm families, and \$45,000,000 more for the purchase of at least 10,000,000 acres of “sub-marginal land” which will be withdrawn from cultivation.

Apparently, not only are crops to be “ploughed under”, but land as well.

Out of this total, the sum of \$30,000,000, we are informed, has been set aside for a suburban housing programme under which the Resettlement Administration plans to construct apartment buildings in suburbs near 3 or 4 large cities, including New York. In addition, the sum of \$7,000,000 has been allotted for completing a very greatly reduced number of Subsistence Homesteads projects started by the Public Works Administration.

The original plan of moving families long distances from unproductive farms has, apparently, been abandoned, but from 6 to 10 large farming communities will be started with farmers transferred from nearby unproductive soil to individual homes grouped on better land.

#### MIGRATORY BIRDS—OF VARIOUS KINDS

It is announced that from 30,000 to 50,000 carefully selected families will also be removed from cut-over timber-land and other areas where they are isolated many miles from their nearest neighbors and placed upon soil that is more fertile and closer to civilization.

The land which these families now occupy—chiefly in Michigan, Wisconsin and Minnesota—will be withdrawn from cultivation and used for migratory bird refuges and reforestation, as will the 10,000,000

additional acres of "submarginal land" that is to be withdrawn from cultivation.

It is reported that options have already been obtained on more than 12,000,000 acres of such land, and have been accepted on 3,700,000 acres; but the original programme has been cut to about one-fourth of the size as first planned.

Although 11 Subsistence Homesteads begun by the Public Works Administration have been completed, and 11 more will be finished in the near future, further extension of this work has been discontinued as impractical. Fifty-six (56) projects of this nature already under way have been dropped from the programme.

### BUILDING NEW CITIES IN THE WILDERNESS

In place of this attempt "to restore the over-balance of the urban population"—as it was originally put—it is now proposed to construct 3 or 4 "satellite cities" outside of metropolitan areas to house about 5000 families. Large apartment houses where laborers can live cheaply will be constructed, the size of the projects running from 500 dwellings to 2000, with an estimated population of about 8000 persons. Complete new towns will be built wherever necessary, with schools, transportation facilities and all of the other necessary conveniences that go to make up ordinary and successful community living.

In order to place these suburban "satellite cities"—so-called—near communities whose industries are expanding, a study of 100 cities has been made. New York City was reported to be in especially good condition with respect to its industries, the wages paid on jobs and its population trend; and for this reason it was understood that officials had decided to build one of the "satellite cities" in its neighborhood.

Apparently, the Administration has overlooked the interesting and significant fact that the City of New York is still paying out of the taxpayers' pockets the sum of over \$12,000,000 every month in the form of relief because of the unemployment situation in that community.

The plans for one of these "satellite cities" have recently been announced. It is to be located at Bound Brook, New Jersey, and is to cost some \$3,500,000—located 30 minutes from Times Square. When completed more than 3000 persons will be able to find living accommodations in the country within a half hour's ride of New York City.

### REDISCOVERING THE TEN COMMANDMENTS

Apparently, having just discovered city planning, those responsible for these new suburban developments are using with great unction the

terms known to city planners for many years—such as “satellite cities”, “green belts” and other city-planning nomenclature. This new community at Bound Brook is to have a “green belt”—just where the ceinture is to be worn is not stated, but the “green belt” will be there.

According to the head of the Resettlement Administration, this development at Bound Brook will “set a new standard for suburban housing in the New York Metropolitan area”—apparently, Mr. Tugwell has never heard of Radburn—and will encourage a population trend away from crowded city slums.

It seems to us that we have heard this suggestion before. The thing to do is “to distribute the population”, “take it away from the great centers and send it out into the country.” Well, the people live in great cities because they find it advantageous and pleasant to live there. There are a comparatively small number of people who live in cities who want to live in the suburbs or in the country. And most of those who do want to live in the suburbs or the country generally find their way there—and without Government help.

The chief factor in determining where families live is the industrial opportunity. Most people live in cities because there is a chance there for earning a living. They are not going to leave the cities where there is that chance to settle in some remote district or some suburban district unless there is an equal opportunity of achieving a decent living.

There is not only to be a “green belt” in this marvelous new development of the Government but it is to be a “town built for the motor age.” This also has a rather familiar sound.

We are told with all solemnity that in these new communities children will be able to go to school without having to cross a highway. It seems to us we have also heard that before.

In addition to the development at Bound Brook, 3 other projects are contemplated.

One project at Beltsville, Maryland, will have 1000 dwellings and will cost \$5,500,000 and will house a number of Government employees. Another town will rise at Mount Healthy near Cincinnati providing homes for 1500 Negro families at a cost of \$10,000,000. Towns near St. Louis, Missouri and Oakland, California, will call for outlays of \$5,000,000 each.

Announcing the plans for these new “satellite cities”, it is stated that “the houses are to be placed between the sidewalk and the street”.

At first blush this would seem to suggest that there is to be no space between the house line and the public highway—other than the curb or the usual planting strip. The only way in which this form



of construction could be carried out would be to build the houses on stilts along the curb—somewhat in the fashion in which LeCorbusier, the much publicized French modernist, has built some of his buildings.

Upon reflection we incline to the view that this is not what is intended by this singularly vague statement but that what is meant is that there will be a walk or pathway away from the street giving access to the houses, along what normally would be known as the backs of the houses.

This is no new idea. We published in these columns 7 years ago\* an article describing just such a development on the outskirts of Dallas, Texas, known as “Greenway Parks”. This “novel” idea is also one of the principal city planning features of Radburn. It has for many years been a common accompaniment of the best commercial residential developments throughout England. Each house, we are told, is to have a garage opening on the street—from which it is quite evident that these communities are indeed to be for the “under-privileged”, who must be newly defined as those unfortunate families able to afford only 1 automobile, not more!

Apparently, these new “playthings” are not sufficient to satisfy the desires of that part of the Administration approaching these problems for the first time. For, it is also announced that similar experiments are to be made in the field of construction and that there is to be a departure on a vast scale in the mass production of houses—prefabricated construction apparently well in the forefront of the programme.

That the communities into which these city dwellers are to be moved view the proposal from a point of view different from that of Washington, is evidenced by the reaction already made evident to the proposed new “satellite city” to be built at Bound Brook, New Jersey. The residents of that district have loudly expressed their displeasure at what is proposed. The *New York Herald-Tribune*, commenting on this aspect of the question, thus characterizes the project:

The land is being bought as the site for one of Dr. Tugwell's expensive experiments in the transplanting of urban slum denizens to rural environments in which each family will have a thoroughly modern house which it could not otherwise have afforded, a plot of land to cultivate—if it will—and industries at hand in which the adults can find work. In this particular case the idea is to recruit 700 families or about 3000 persons from the slums of New York City after a small army of relief workers have built a village for them, and sell each of these families a home on terms which no private investor would offer.

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\* See article: “The Obsolete Back Yard”, “Housing”, Vol. 17, pp. 204-209, September, 1928.

Commenting on the scheme, the *Herald-Tribune* has the following to say:

The Franklin County residents are making strenuous objection because they are sure that they are not going to like their new neighbors, who will run up the charges for rural public services—police charges particularly—without paying anything like a commensurate share of the taxes, and because they will not be the kind of people who are ever going to fit into the purely American rural environment of Franklin township. The indignant natives are saying, indeed, that they would as lief have a glue factory set down among them.

In conclusion, the *Herald-Tribune* has the following to say in summing up this scheme:

To move and establish Dr. Tugwell's prospective protégés, who have nothing to give the land and whose strong natural inclination is toward a beehive existence, is going to cost nearly \$9,000 a household. With the whole \$30,000,000 which Dr. Tugwell proposes to spend he can do no more, therefore, than nibble on the outer fringes of the problem which his bureau propounds when it says that millions of low-income families need homes which they can never buy or rent and which no private landlord could afford to put within their reach.

Government alone can do it say the planners; but the whole job according to them is to rehouse millions—not hundreds—involving a Treasury investment of considerably more than the present national debt. The most that these experiments will prove if successful, therefore, is that if the United States had Soviet Russia's government and if the American standard of living were otherwise depressed to the Russian level, it might be possible to set the whole slum population up in a style of house to which it has never been accustomed.

Dr. Tugwell and his colleagues may think such findings worth what their experiments cost, but does the taxpayer?

#### A VERITABLE HORNET'S NEST OF PROBLEMS

The *New York Sun* in an editorial entitled: "No Utopia", has the following to say with regard to this latest development of the Government's ambitious housing projects—of which the number seems to be legion:

Even with all the money it can lay hands on, the Federal government as landlord cannot avoid running into trouble. It is buying vast tracts of land, building whole suburban towns. It is erecting factories for mass production of low-cost dwellings made of concrete slabs. It is selling these houses to garment workers, jobless factory workers and farm families, who want the more abundant life of co-operative communities, made available, with a 30-year mortgage on each home. \* \* \*

The Government hopes to keep its FRA communities free of taxation. Will these factory-made towns remain the property of the United States? If so, what compensation shall go to the local boroughs in which the new towns are situated?

The Resettlement Administration is afraid that some states or local townships will call on Washington, or on the FRA tenants, to pay for the use of such facilities as schools, fire protection, police protection or other local conveniences. \* \* \*

The whole idea is complicated, however, by the important fact that every town Dr. Tugwell builds must be paid for with money collected from the American people in taxes. What is usually called a Federal "grant" is no more than a refund, or redistribution, of the money collected in taxes. \* \* \*

The theory is that all of these co-operative villages will in time be self-sustaining. Indeed, it may be possible to start dozens of such towns on Federal loans to destitute or stranded families so long as the rest of the public pays its taxes. But let us not be fooled into taking too literally the phrase "tax-exempt" when it is applied to these housing schemes. There are no signs that from Dr. Tugwell's efforts there will grow even one Utopia in which the inhabitants will exist tax-free.

Only the inmates of the poorhouse can say that they have found such a place.

With the example before them of the dangers and difficulties inherent in building new "satellite cities" and complete communities, with the troubles encountered by Radburn visibly set before them, the Government should have hesitated to embark upon such ventures. If private enterprise cannot make them successful, it is quite sure that the Government will be unable to achieve success.

## BACK TO THE LAND

*Land settlement*

### THE WORK OF THE RESETTLEMENT ADMINISTRATION

Our national resources have been wasted by erosion, floods, unwise farming methods and neglect. It is no longer possible as in earlier days to abandon old worked-out acres and move freely to fresh, fertile, economically productive land. As a consequence thousands of families—unable to secure a decent living from their present unfertile holdings—are reduced to a mere subsistence level and relief.

If further social and economic losses of this kind are to be prevented, there must be intelligent national planning. As a step towards a coordinated programme of rehabilitation, conservation and land utilization, the Resettlement Administration\* was created on April 30, 1935, by Executive Order under the Emergency Relief Appropriation Act of 1935.

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\* A 30-page pamphlet, well illustrated, entitled "The Resettlement Administration" (Publication No. 1), can be obtained from the Government Printer, Washington.



It is authorized to administer approved projects involving relocation of destitute or low-income families from rural and urban areas, including the establishment, maintenance and operation of communities in such areas; to make loans to help finance the purchase of farm lands, food, livestock, and necessary equipment by farmers, farm tenants, croppers or farm laborers; to purchase land and devote it to the best possible use.

The Federal Emergency Relief Administration had undertaken the development of some 60 rural communities and had taken some 300,000 farm families off direct relief in order to rehabilitate them through loans and grants. During the past year the combined programmes of FERA and the Land Policy Section of the AAA included plans for more than 250 projects in 45 states.

The Division of Subsistence Homesteads had made plans for nearly 70 rural and suburban communities. On 33 of these projects, construction had either been started or was nearing completion.

All of this work has now been transferred to and become part of the Resettlement Administration. Thus at the outset the Resettlement Administration was a going concern. During the first 6 months of its existence it has had not only to absorb 4 agencies and mould them into a unified, coherent administration, but also to develop its own organization and map out its future programme. The result has been a division of the work among 4 operating or development divisions.

### REHABILITATING THEM WHERE THEY ARE

The work in connection with the rehabilitation and resettlement of farm families is carried on by the Rural Resettlement Division. There are two types of aid. There is 'rehabilitation in place', where by supplying funds for the purchase of land, livestock, seed, equipment and subsistence, plus guidance in home and farm management, many a family is enabled to put its present farm back on a paying basis. Sometimes, however, this does not work. The present holdings may be so poor that even by diligent application of the old adage of hard work and lots of it the family cannot get a living from the soil. In such cases the only permanent solution is to aid the families to relocate on more productive land. This is 'resettlement'—the second and more permanent type of aid.

The Rural Resettlement Division now has approximately 530,000 farm families under rehabilitation. Some 300,000 of these have been inherited with the transfer of rural rehabilitation work from the FERA, while 175,000 additional families have recently been taken from relief

able to receive emergency rehabilitation during the next 6 months. It is possible that after this trial rehabilitation period many of these families will qualify for participation in the permanent phase of the resettlement programme.

### A PLAN FOR EACH FAMILY

Specific plans by which each of these families may attain economic independence are being developed in cooperation with the Agricultural Extension Service of the Department of Agriculture. It is always one thing out of a hundred to be the budgeting and planning that go with the actual cash advances that insure the family's eventually achieving a beautiful and adequate livelihood. As a consequence, a home expertiser is in personal contact with every family participating in the rural resettlement programme. These expertisers visit the families and obtain information as to the amount and condition of the food, clothing, fuel and equipment they have on hand, what they are now producing, what they plan to produce at home and what must be purchased. In other words, each homemaker is helped to make up a budget for the family for the coming year and to carry out the plans outlined.

There is an effort made not only to help the family take care of its immediate physical needs but also to show ways and means of raising its scale of living to an adequate and beautiful standard. Some 20,000 to 25,000 families will have an opportunity of taking part in the resettlement programme of this Division. Some of them will be drawn from the ranks of rehabilitation. The programme, however, is not limited to former relief clients but will include farmers living on land unsuited to farming and young couples who otherwise would be denied an opportunity to begin a farming career.

### THE RIGHT LAND TO FARM

Closely allied with the work of the Rural Resettlement Division is that of the Land Utilization Division. Although poverty in rural areas is not due to any one cause alone, we know that it is as a rule closely related to an unwise use of the land. Families are frequently found attempting to secure their livelihood by cultivating land too poor in fertility, too rocky, too hilly, too wetted, or too dry to make successful farming possible. In some instances destructive farming practices for a generation or more have robbed the soil of its fertility, while other lands have been settled that had better never have been put to the plough. Wind and water erosion have done their part in destroying once upon productive acres.

## BUYING UP THE POOR LAND

The Land Utilization Division has the job of buying land now non-economically used and putting it to such public uses as forestation, wild life refuges, flood control projects and national parks. Approximately 22,000 families are living on lands proposed for purchase under this programme. Many of those who have agreed to sell their land will receive sufficient money—providing their property is not too heavily mortgaged—to find suitable homes elsewhere; others will need assistance in resettling under circumstances that will provide them the means of livelihood.

### SATELLITE SETTLEMENTS

Another effort—that of the Suburban Resettlement Division—is concerned with the housing problem of low-income urban workers. Plans are now under way for the construction of 4 suburban communities providing low-cost housing for 5,000 families. Each community will be located within commuting distance of a large city. The cities selected will be ones in which housing conditions of low-income workers are acutely “sub-marginal”, because both the number and the quality of homes available to such workers are inadequate for maintenance of proper living standards. The construction of these four communities will by no means cover the field for such undertakings; nor, perhaps, entirely relieve the bad conditions in any one community. The purpose is to demonstrate what can be done towards resettling the inadequately housed population of large cities in more favorable locations near such cities.

The communities will be enclosed within a protective strip, or “green belt”, which will protect them from the encroachment and blight that has destroyed so many American neighborhoods in the past. In other words, residential sections will remain residential sections and homes will remain homes as long as the community lasts. The green belt will provide parks, recreation areas, and—if necessary—gardens for the inhabitants of the town and surrounding territory.

The project is so designed that the houses will encircle the community. Automobile traffic will be diverted to the outer rim and a series of underpass walks will make it possible for children to attend school, run errands to the grocery and enjoy their games without crossing the street.

Saving in land costs are augmented by savings in construction. The houses in all developments will be constructed by mass-production methods and assembled with efficiency, economy and speed.



The selection of each site has been determined after extensive research. This has included inquiry into (1) the employment prospects of surrounding industrial areas, (2) the facilities for providing quick and cheap transportation to and from work, and (3) the availability of large tracts of land at reasonable prices.

The advantages of this movement toward the suburbs are not difficult to appreciate. Land costs are cheaper there than in the crowded metropolitan districts; there is, in addition, more room to plan the community and more opportunity to set it up in harmony, both economically and otherwise, with its surroundings. In many cities certain industries are finding it desirable to locate nearer the rim than the center of town. It is from the low-income employed workers in these industries that most of the dwellers in our housing developments will come.

Suburban housing also benefits the metropolitan area as a whole. By providing better homes at low cost beyond city limits it draws off some of the population from the slum areas. This, in turn, makes slum clearance and rehousing within the city itself a far easier job.

#### THE FIRST ONE NEAR WASHINGTON

Construction has already started on the first of these communities located at Berwyn Heights, near Washington. This development will provide housing and complete community facilities for 1,000 families chosen from low-income groups in the Washington and nearby Maryland area.

Washington is a rapidly growing city. The construction of homes has in recent years, however, lagged far behind the increase in families. Many houses now occupied in Washington are in slum areas and are far below acceptable housing standards. The Capital city is face to face with a housing shortage and accompanying higher rents have accentuated the demand for new housing, especially for low-income groups.

An improved express highway places the Berwyn Heights project within a 40-minute drive from Washington. Bus service for residents to Washington will be arranged for. The B. & O. Railroad has a station a mile and a half northwest of the town site from which commutation service to Washington may be had for \$5 per month, with a running time of half an hour.

#### THE SUBSISTENCE HOMESTEAD PROJECTS

The Suburban Resettlement Division is also completing construction of a number of projects formerly under the supervision of the

Division of Subsistence Homesteads. Thirty (30) projects on which construction was under way at the time of their transfer to the Resettlement Administration are now either completed or nearing completion. A survey is being made of all former Subsistence Homestead projects that had not reached the construction stage, to determine whether or not their completion is economically justified. Location, school facilities, transportation and industrial opportunities are among the considerations determining each project's development or abandonment.

Approximately 23,000 families have applied for homes in the projects thus taken over. On October 15, approximately 1,500 families had been accepted. By December 1, the Suburban Resettlement Division will have completed construction of 19 former Subsistence Homestead projects, located in Decatur, Indiana; Austin, Minnesota; Meridian, Tupelo, McComb, and Hattiesburg, Mississippi; Beaumont, Houston, Wichita Falls, Dallas, and Three Rivers, Texas; El Monte, and San Fernando, California; Crossville, Tennessee; Jasper and Birmingham, Alabama; Phoenix, Arizona; Granger, Iowa; and Longview, Washington.

The homesteads thus far completed have been of several types. The rural agricultural community is composed of a number of homes each with its dependent outbuildings grouped as conveniently as practical for communication and utility services, schools, etc. In these projects the occupants' incomes will be derived from agriculture. The size of the individual homesites consequently will seldom be less than 20 acres; and unless some rather intensive cultivation is contemplated, they will usually contain 40 acres. In addition to the residence for the family, the homesite will be provided with a barn, chicken pen, and hog pen, necessary fencing, and preparation of land for agriculture before the family is moved there.

The rural community in some instances is planned for occupants whose income will be derived partly from cultivation of the land, and partly from part-time employment in local industry, hence the acreage of the homestead is smaller. A third type of community is planned for occupants whose whole income will be from industrial or other non-agricultural employment; but even in this case usually not less than  $\frac{3}{4}$  of an acre has been included for family subsistence gardening.

#### GOOD MANAGEMENT ESSENTIAL

The Management Division's job is to supervise the community projects when construction has been completed. It selects the occupants, maintains the property, makes out the leases or sale contracts

and collects the monthly payments. It assists in the organization of community or cooperative associations, adult education courses and planned recreation.

If a community project is to be successfully operated, the residents must be assured of a regular cash income. It is not sufficient merely to provide a house and a small plot of ground for each member of the community. There must be adequate employment facilities either on the project itself or in nearby areas. Otherwise, community developments in the end may result in subsidizing poverty.

A most important part of the Management Division's job is to help the family—and the project as a whole—adapt itself to the new environment. It is not the plan to have little "isolated federal islands", but to arrange so that in time these communities will become part of the already existing communities. Wherever possible the properties in resettlement communities will be transferred to appropriate local agencies.

JOHN FRANKLIN CARTER  
Director, Division of Administration,  
Resettlement Administration  
Washington

## THE NATION'S CAPITAL

### THE WASHINGTON COMMITTEE ON HOUSING

The Washington Committee on Housing was organized in the fall of 1933 by a small group of leading citizens who were actively working to improve housing conditions and who felt that their efforts would be more fruitful if they joined forces.

Immediately after the Committee was organized offices were established, a Secretary was appointed, a field worker and clerical worker were employed and the group began to make necessary studies and surveys which found early use at Congressional hearings in support of the Alley Dwelling Elimination Bill on behalf of which some members of the Committee—led by the late Mrs. Archibald Hopkins—had been working for almost 25 years.

The Alley Dwelling Act directs the Alley Dwelling Authority established by the Act to acquire land in squares in the District of Columbia which contain inhabited alleys. The Authority replans the square—or so much of it as is necessary—to eliminate the alley slums and convert the land to a use that is socially and economically sound. For this purpose a revolving fund of \$500,000 has been established.



Washington has almost 200 inhabited alleys—mostly in the old sections of the city—the majority of which will be converted to a socially desirable use by the Authority during the 10-year period over which its programme will extend. The Washington Committee on Housing is working closely with the Executive Officer of the Alley Dwelling Authority in an advisory capacity.

In March, 1934, the members of the Washington Committee on Housing were appointed by Secretary Ickes as advisers to the Housing Division of the Public Works Administration on the three low-rent housing projects planned for Washington. This means that the Housing Division refers local questions to the Committee for comment, giving the members opportunity to express opinion before the Public Works Administration definitely commits itself. Sometimes the Committee offers suggestions on its own initiative or passes on to the Housing Division suggestions that have been made by citizens or local organizations. This advisory work continues through all phases of the housing projects—from selection of site to management and operation.

Low-rent housing is badly needed in Washington because of the present serious housing shortage and the uninhabitable condition of most of the vacant low-rent dwellings. A further need for construction of low-rent housing is indicated by our notoriously high rents in Washington, against which there were last year several mass meetings of protest, sponsored by various organized groups. In the hope of relieving the rental situation, two bills providing for regulation of rents in the District of Columbia were introduced in the Congress last year.

The Washington Committee on Housing assists local welfare agencies in working out their housing problems. It made the studies on which was based the housing section containing suggestive standards and rent allowances in "The Suggestive Budget for Families of Low Income", which was published in September, 1934, by the Washington Council of Social Agencies, of which this Committee is a member agency.

A housing report-form devised by the Committee is now being used by 175 field workers in the Public Assistance Division of the Board of Public Welfare. On the form are listed easily recognizable housing conditions that are in violation of law. Opposite each condition appears the name of the District Government Department charged with correction of the violation. This procedure not only encourages the case workers to do something about bad housing but is an aid in securing more vigorous enforcement of such housing laws as we now have.

The Committee publishes periodically, and distributes locally, a Housing Letter which discusses local housing trends and developments. Through this and through inquiries directed to the Committee offices, the group is acting as a clearing house on housing information for the people of Washington.

Mrs. Franklin D. Roosevelt is honorary chairman of the Committee and has been actively interested in its work. Clarence Phelps Dodge is Chairman of the present enlarged Committee of 21 members, having succeeded Frederic A. Delano who was Chairman during the first few months. John Ihlder was Secretary of the Committee until November, 1934, when he resigned to become Executive Officer of the Alley Dwelling Authority. Included in the Committee's membership are three Negroes who have long been leaders in Washington's civic life.

The Committee is an advisory and cooperating group striving in every practicable way to improve local housing conditions, particularly among families of low income. To this end it is working closely with the various Federal and District agencies as well as with private civic and welfare agencies concerned with housing.

The Committee feels that housing projects in Washington serve as demonstrations for the rest of the country because of the large number of visitors that come here each year and because what is done here can be so closely observed by members of Congress. The work is thus of value not only to the citizens of the District but to the friends of better housing everywhere.

FLORENCE D. STEWART  
Sec'y, Washington Committee on Housing,  
Washington, D. C.

## CANADA CONSIDERS HOUSING

In February 1935 a Special Committee of 18 members of the House of Commons was appointed by the Canadian Federal Government "to consider and report upon the inauguration of a national policy of house building to include the construction, reconstruction and repair of urban and rural dwelling houses, in order to provide employment throughout Canada, and also to provide such dwelling houses as may be necessary, upon such terms and conditions as may be best adapted to the needs and requirements of the people, having regard to the cost of such a policy and the burden to be imposed upon the treasury of Canada".

Twenty-four witnesses, among whom were housing and town-planning experts, consulting engineers, architects and officers of national mortgage and investment, finance and construction corporations, gave exhaustive evidence and were closely questioned as to basic reasons.

Among the many points brought out were:

Housing properly understood means housing for the low-wage earners.

It is cheaper to house these people decently than to maintain them in slum areas and to let them degenerate.

The need for houses for lowest income groups is on a rental basis.

That for such houses any rent above \$15 a month defeats its own object.

Every cent which the Federal Government spends on housing should come back to the Federal Government.

Under the Public Health Act every municipality through its Medical Officer of Health has the right and the power to condemn and close up houses unfit to be lived in.

Amortization in England is 60 years, but in Canada owing to different climatic conditions the cost of building is considerably greater and the life of a house is placed at 40 years.

In England a proportion of the area of sub-divisions must be left for "open spaces."

Assisted housing involves the selection of tenants.

Full economy in building and administration is secured by the erection of about 400 houses at the same time.

Protective town planning and housing must go hand in hand if money invested in housing is not going to be thrown away.

Two story housing is more economical than 4 story.

Some of the recommendations were as follows:

If any adequate programme is to be accomplished, leadership must come from the Federal Government.

Housing for the lowest income groups cannot be made profitable to private enterprise, and is the only field justifying publicly operated housing schemes and then only if self-liquidating and well supervised.

Private house building, however, should be stimulated by government loans at a lower rate of interest, and in no case by direct relief labor.



Careful surveys should precede any federal loans and such loans be handled and controlled by a permanent National Housing Bureau with a definite, permanent policy under the Minister of Health, but completely removed from politics, with local public utility bodies incorporated under its regulations to administer and look after housing and be entirely responsible to it and independent of municipal governments.

Speed of money turnover is an essential factor and the most essential point is cheap money.

There is danger in giving a capital subsidy, whereas an annual subsidy retains control.

As slum clearance is the most costly part of housing, it should be preceded by low-cost housing with good management and selection of tenants decanted from poor quarters.

Large numbers of sub standard dwellings if rehabilitated would properly house a greater number of people for smaller expenditure than by any other means.

Building in times of a boom should be avoided when the cost of everything is high, but build right through a depression.

There was much discussion about mortgage banks, the co-operative system, limited dividends at 5% or Utility Companies, and other channels of finance.

The necessary and important discussions on the financial side of housing were too complicated, however, to be touched upon in this short review.

ETHEL S. AMBROSE  
Hamilton, Ontario

## FUEL, LIGHT AND ICE

Figures carefully compiled by the Better Housing League of Cincinnati show that it costs the average tenement family in that city \$1.50 per room per month for heat, electricity and ice.

This figure is important in view of the fact that most of the slum clearance projects approved by the Federal Government propose to include heat, electricity and refrigeration in the rent. From the rent per room per month in the proposed new housing, therefore—in the Cincinnati project at least—\$1.50 should be deducted from the monthly rental for purpose of comparison with the cost of shelter in existing tenement houses in the neighborhood.

The public is often misled by statements regarding rents in new projects through comparing the rent per room per month with existing rentals, in the neighborhood without taking into consideration the cost of heat, electricity and ice.

Heat costs were based upon a study of 132 typical tenement families, as of August, 1933. This study showed that the families paid on the average \$25.30 a year, or \$2.10 per month for heat. The average number of rooms per apartment was 3; which gives a fuel cost per room per month of 70 cents. That these figures are conservative is shown by comparing them with those of the Hamilton County Department of Welfare giving their fuel cost per family as \$40 a year; figures provided by the Associated Charities show a fuel cost per family of \$30 per year.

The figures on electricity cost in tenement houses (as of April 19, 1935) were provided by the Union Gas and Electric Company through the Director of Public Utilities of Cincinnati.

Ice costs were secured from 180 families, 83% of whom paid in excess of \$3 per month for ice during 5 months of the year. Figured on a 12-month basis, the expenditure per month is \$1.25. With the average family occupying 3 rooms, this gives 40 cents per room per month as the cost for ice.

BLEECKER MARQUETTE  
Cincinnati

## HOUSING IN PHILADELPHIA

Real estate groups, property owners and financing agencies opposing the construction of new housing accommodations for the low-income groups come in for criticism by Bernard J. Newman, Managing Director of the Philadelphia Housing Association, in a recent Report\* on housing conditions in his city.

Mr. Newman points to the tremendous drop in building construction as a result of which only 484 family-accommodations were under construction-permit in Philadelphia in 1933 as against an average of more than 7500 a year in the previous three decades as evidence of the need for additional construction. Those opposing more home construction for people in the low-income group are influenced largely, he believes, by the desire to safeguard investments in existing property much of which is over valued. They did nothing during the boom days to prevent over construction of high-cost houses, he points out, nor underbuilding of homes for the wage earner group.

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\* *Report of Philadelphia Housing Association for 1934.*



It would be unfortunate to permit the development of a great housing shortage at this time as it would increase rents and add to the distress of the low-income group. In Mr. Newman's opinion increased employment through new-dwelling construction will do more to help real estate than any other single thing. Given the right type and price, it is argued, new housing will sell today. Evidence of that is the fact that 85% of the houses constructed in Philadelphia in 1933 were occupied before the year was over.

Taking the results of the Real Property Inventories as further proof of his case, Mr. Newman states that the records for the 62 cities included in the Federal survey show 1.3% more families than suitable housing accommodations; and he concludes that on the basis of a normal vacancy rate these cities were about 6.3% short of their needed supply.

Mr. Newman severely criticises the foreclosure procedure which from 1926 to 1933 involved  $\frac{1}{4}$  of the total number of dwellings in the city of Philadelphia. A great many of these foreclosures could have been prevented by an intelligent policy he believes.

#### THE GOVERNMENT'S POLICY

Addressing himself to the question of "What has been done for housing under the New Deal?," Mr. Newman is a severe critic. He does not believe that the Housing Division of the Public Works Administration can justify its elimination of most of the limited-dividend projects submitted to it and challenges the reasons given by representatives of the Division—namely, that the land was over-priced or that the companies could not provide the necessary equity. He is not sanguine about the Housing Division's programme for slum clearance because of the difficulties and delays he foresees in the way of getting actual construction going.

There are reviewed some of the best of the limited-dividend projects submitted from Philadelphia. The Philadelphia Housing Association gave consultant services to 48 local groups interested in limited-dividend corporations, many of which the Association considered good. The 5 projects reviewed in detail would have provided housing on vacant land and were given the endorsement of the Philadelphia Housing Association as especially meritorious projects. A scheme providing for rehabilitation of a blighted area was also thought worthwhile. The site plans and floor plans of these projects are interesting to students of housing.



If Mr. Newman's estimate of the situation is correct, the Philadelphia companies were more successful in raising equity money than was true in many other parts of the country. Certainly, many of the limited-dividend projects submitted could not have expected approval because they were unable to put up the necessary equity or to provide rents that could be considered within the means of the low-income groups. It may well be argued that there is a distinct field for limited-dividend projects, but it seems unlikely that they can do much unless a method is provided that will reduce the risk that equity capital would have to take.

#### OTHER ASPECTS OF THE PROBLEM

A careful resumé is given of demolitions in Philadelphia during the past 11 years in which more than 8,000 dwellings housing 9768 families were eliminated. The Report points out that the percentage of sub-standard houses eliminated greatly increased in the period 1927 to 1932, as compared with previous years.

Sheriff's sales continue high—totaling over 19,000 in 1933. This was a slight reduction over the previous year; and Mr. Newman hopes that the Home Owner's Loan Corporation will take care of a larger percentage of distressed properties from now on and that sheriff's sales will decline.

On the matter of rents, the year 1933 showed a further decrease of approximately 10%. As might be expected, tenants paying under \$20 a month are now in the largest percentage, whereas in 1926 the reverse was true. At that time nearly 50% paid \$30 or more for their housing accommodations.

An interesting story is told in this Report of the work of a local Housing Association to improve insanitary conditions and of the need for greater public interest in housing improvement.

The Report is full of interesting information and sound housing philosophy. It will repay careful reading.

BLEECKER MARQUETTE  
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